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## NEW THEORY OF POPULATION FOR CHINA

In the first few years of the present regime in China it was not merely unfashionable, it was positively dangerous, to regard China's population as excessive. No Party leader in Peking felt like going against the ruling doctrine in the Kremlin at the time, and when concern did begin to grow after it became generally known how large China's population was, it was handled in the most cautious manner. Indeed the Communists picked on a former leading councillor of Chiang Kai-shek to venture a few hesitant comments on the topic. The failure and indeed the doubtful wisdom of mechanising Chinese agriculture thrust the problem into the forefront, and there has been a most remarkable change of front during the past year or so. Of course all who took the unpopular line tried to make out that they were no neo-Malthusians. But finally Dr. Ma Yin-chu, head of Peking University, clinched the matter when he circulated among the deputies to the National People's Congress in Peking, at the July 3 meeting, a long written statement on "A New Theory of Population." In this he declared that the population is increasing much too fast, adduced seven reasons for the belief that the rate of increase is greater now—and rising—than when the Census was taken in 1953, and said the problem would become grave indeed when mechanization and automation came in. What a thousand labourers did before would then be done by, say, 50 persons. Then, what should the 950 persons who would have been discharged do?

Floods, he says, have been the source of China's sorrows since remote times, as in 1954, and one of his solutions is to build a gigantic reservoir along the Three Gorges of the Yellow River capable of providing against a deluge of the type that happens only once in a thousand years. It would require 10,000 million yuan to build the engineering projects (say £1,450 million). Then, to utilise so huge

a power station, factories and enterprises commensurate with it in scale would have to be built along the Yangtze valley probably at a total cost of from 50,000 million to 100,000 million yuan. Where could they obtain so much capital? And even if they could get it, where could China acquire the required steel materials and cement? Moreover, it would take 20 years to complete. But once it was completed the peasants would benefit from it enormously. Not only would the irrigation system and power construction change the overall outlook of the rural areas, but machinery, chemical fertiliser, transport, fuel and building materials would also pour in mass quantities into the rural areas to render service, and the rural areas would become an important market for heavy industry.

China's shortcoming is over-consumption against the under-supply of capital. The national income in 1956 amounted to nearly 90,000 m. yuan, of which 79 per cent was used as consumption expenditure, leaving only 21 per cent (or 18,000 m. yuan) as savings. That sum has to be allocated among heavy industry, light industry, agriculture (including forestry, livestock rearing, and fishery), transport, construction, commerce (including foreign trade) and the like. As the business units to share it were many, the progress to be made in them would not be considerable. Capital accumulates too slow and the population too fast. What a difficult task it is to settle the contradiction between the under-supply of capital and the over-population! "It is beneath us to borrow from the United States," said Dr. Ma, who is one of the country's outstanding economists as well as President of Peking University. "Nor should we squeeze capital in the imperialist manner by exploiting colonies. Nor should we imitate Japan who used the Chinese indemnities of 1898 to finance her industrialization. The only way open to us is to start our life anew



by our own strength: The capital we can accumulate. But the ratio of consumption expenditure to capital accumulation is 79 against 21. May we raise the percentage of capital accumulation at the expense of consumption expenditure? Judging from the actual conditions in China, such a change is rather dangerous."

Dr. Ma pointed out that China's national income is small in relation to her population. Any increase in the capital accumulation at the expense of consumption would cause the people hardship. To act the other way, would delay industrialisation. Therefore it is necessary to strike a balance, and how to do this depends on actual conditions. In the Soviet Union consumption expenditure represents 75 per cent and capital accumulation 25 per cent, or one-fourth, of her national income. In China, owing to over-population and a low living standard, the percentage of consumption expenditure should be a little higher—and that is why the ratio was fixed at 79 to 21. China should not boost capital accumulation to 25 per cent; that would be tantamount to giving exclusive attention to industrialisation to the neglect of the people's needs. Inevitably the people would resort to violence against it. One of the reasons for the incidents in Poland and Hungary, he emphasised, lay in the fact that the Governments in both countries had exclusive regard for industrialisation without paying attention to the people's needs, a fact which translated the people's desire for industrialisation disappointment over their living conditions.

According to Vice-Premier Li Fu-chun, of the increased population of 13 million this year, indus-

try can absorb only one million, and the remaining 12 million have to find work in the rural areas. But a peasant of the present day can create at best 80 yuan of wealth for the State. On the other hand, a factory worker armed with the new types of technical equipment can create 4,000 yuan of wealth in a year. The ratio of productivity between the two kinds of labour is 1 to 50. The bad conditions of irrigation in the north have a bearing on the peasants, who show no interest in manure accumulation. Finally, the engineering technique in China is too backward to bring under control the floods and droughts and the chemical industry is too backward to mass produce chemical fertiliser. All this makes for a great difference in productivity between agricultural and industrial labour.

The average labour productivity of the million industrial workers and the 12 million peasants in question must be quite low. To raise the productivity of the additional 12 million on the land, it is necessary to electrify and to mechanize agriculture and to mass-produce chemical fertiliser. Where could the capital be obtained. How to save it? And the peasants: they would want more grain, more oil, more cloth so the supply would be strained and the cloth ration slashed by half. Disappointment and dissatisfaction would ensue, and though they might not follow the footsteps of the Poles and Hungarians, they would give the Government a good deal of trouble. For this reason Dr. Ma held that labour productivity be raised through capital accumulation and the control of population.

It took a long time to move to the new position on population. It may not take quite so long to move to another position from that in which "loans from the United States are beneath us." Indeed the argument has only to be pursued with reason and logic to arrive at precisely that conclusion—though there is no guarantee that even if the Communist Government sought a loan from the World Bank or from the U.S. it would get it. But the eminent economist gilded his bitter pill. He incorporated into his argument much the most effective defence so far made of the Government's constructive record, both in agriculture and in industry. He draws the conclusion that relations between heavy and light industry in China are not so close as those between heavy industry and agriculture. China, he argues, is still an agricultural country. If agriculture fails to make rapid progress, China can scarcely expect any great progress in heavy industry. Any improvement in the conditions of heavy industry will hang on a bumper harvest ahead. Many of the needs of heavy industry and various kinds of construction have to be met by imported foods. How much China can import depends on the value of the agricultural products she exports. The raw materials used by light industry are also acquired from agriculture. Over 90 per cent of the raw materials required by light industry are supplied by agriculture. Thus the expansion or contrac-



## CHINA'S RECTIFICATION CAMPAIGN AND ITS BACKGROUND

The Cheng Feng (Correction Drive) campaign, which was launched for the "Rectification of Working Style," has produced in China a spate of charges and counter-charges. Some of them confirm previous analyses of Chinese Communism, but others reveal unexpected situations which cannot at this juncture be interpreted definitively. It is already clear that the campaign is of unusual significance, both internally and probably throughout the Communist world.

Though the Central Committee Directive of April 27, which officially launched the "rectification" campaign, made it an internal Communist Party affair, non-Party people were allowed to associate "voluntarily" and its United Front work department soon organised symposia at which members of the puppet "democratic parties" were suddenly told to make frank criticisms of the Communist Party.

"Democratic" parties consist mainly of non-Communists (intellectuals, businessmen, etc.), and the initial reaction was, naturally, fear. A professor at Peking Aviation College said:

"Although today we are being given a chance to talk, our anxiety has not yet been completely dispelled. If I say everything now, will it all go unpunished for ever? What if I should be again branded a 'self-made counter-revolutionary element'? The Party Secretary of the Third Department (of the college) has told me that he guarantees that this will not happen, but I feel that it still is problematic. Can it be guaranteed that no citizens will be sent later to a mob-trial or to mass denunciation of a crime that has not been proved against him?

"Last time (i.e., in the sufan\* purge) there was a crime called 'self-made counter-revolutionism,' the meaning of which was never made clear. Will our criticism of the leadership not be listed as such a crime?"

(People's Daily, May 17, 1957).

An official of Fudan University, Shanghai, said:

"We are full of joy when Chairman Mao at the Supreme State Council took up once more the theme of the advance towards free expression of opinions.

"But a doubt remains. Today I may speak as I will; but after a period, after a year or two, will not a written record† of my words be brought up against me?

"I am not the only one who thinks this way. Everyone I meet thinks similarly. Today there is a reform move-

\* Purge of counter-revolutionaries.

† In fact, films and recordings were made for use in a documentary to be shown throughout China, to arouse people against the "Rightists." (The London Times of July 8, quoting Peking Radio).

tion, a bumper crop or a crop failure, will have a decisive effect on the development of heavy industry or industrialisation. If the increase of population is permitted to take its natural course uncontrolled, it will inevitably affect the progress of industrialisation. And so universal propaganda on birth control, the practice of planned families, and similar measures to keep the population within bounds were put forward as major necessities.

ment inside the Party. Many are wondering whether this will not hit us too."†

It was openly admitted, even in the Press, that since the "liberation" people had been obliged to guard their tongues, because "many Kanpu recorded the words they heard in private conversations and, later on, when a new campaign had started, quoted these words, holding you by them as if by a pigtail . . . no wonder we learnt not to talk!" (Shanghai Wen Hui Pao, April 28).

P'eng Chen, the First Party Secretary, Politburo member and Mayor of Peking, lent weight to these fears that the "gentle breeze" of the campaign might develop into a "storm and tornado." "It is possible," he remarked, "that there may be a little-big storm when the movement has speeded up. But if the leaders act according to the instructions of the Party Central Committee, fortuitous mistakes will be corrected." (People's Daily, May 10).

These words had a familiar ring for those whose sufferings in earlier campaigns were retrospectively ascribed to the "mistakes" of junior officials. And events have justified their fears.

Some Party members also had "misgivings in expressing their views candidly." Many leading cadres were "not yet ideologically prepared" to receive criticism. (NCNA on situation in Tientsin, May 23). The Shanghai Liberation Daily said on May 9 that lower cadres were "terrified of the criticism of the masses."

Nevertheless, it was soon stated that a "new atmosphere, an atmosphere of Socialist democratic freedom, has come into being which inspires the people . . ." (Ta Kung Pao, May 24). At the same time, it was explained, "the contents of democracy and freedom vary at times with the stages of social development." At present, the protection of the country's independence, development of the national economy and freeing the country from poverty were implied. Genuine democracy and freedom could be achieved only when exploitation had been completely eradicated and the Communist State attained. This statement, based on Mao's then unpublished speech, is significant in view of the later development of the campaign.

At the first symposia, held at the end of May and the beginning of June, the following criticisms of the Party were made, with many variations and a wealth of detailed evidence:

1. "In actuality, the Party has replaced the Government, thereby weakening the leading functions of the administration."

2. "Some Chinese Communist Party (CCP) members had violated laws and discipline: there were no laws for people to follow and no standards in imposing sentences." (Chu Hsueh-fan, Vice-Chairman of the All-China Federation of Trade Unions, reported by NCNA, June 8).

3. "Today the Communist Party organisation is simply taking the place of the organisation of the small political parties, and the Communist Party settles policy without even notifying the leaders of the small parties." (Ch'ien Chai-

† Lower grade teachers (in middle and primary schools, etc.) have no status in society and are afraid to "bloom" and "contend" because they think this is an assignment only for high-level intellectuals, according to Lin Man-ta, Vice-chairman of the "Association for Promoting Democracy." (New China News Agency [NCNA], May 21).



chu of the Democratic Construction Association, reported by People's Daily, May 12).

4. Individual Party members had built a great "wall" and "gulf" between themselves and the common people and had discriminated against non-Party personnel over pay and promotion. It was suggested this was due not only to arrogance, but also to members' fear of mixing with "dubious elements." \*\*

5. Non-Party officials had "titles but no power," being under the effective control of Party subordinates who were "more loyal than capable."

6. The trade unions were criticised because the many decisions taken had not been implemented to benefit the workers. (Lai Jo-yu, reported by NCNA, June 12). The women's organisation, ACDWF, was likewise exposed. "In our society women are still humiliated and abused, but has the federation ever stood up for them? No, it has not . . . the ACDWF lacks courage and is indifferent to women's interests." (Peking Radio, May 31).

A symposium of jurists held on May 27 summed up these abuses under the term legal nihilism. A "number of leading cadres" were accused of this trend and of the tendency "to overlook even the Constitution, (they) consider it proper for the CCP to exercise administrative power on behalf of the Government. They hold that the CCP directives are more powerful than Government decrees and that whatever the CCP members say must be obeyed."

But now, a speaker said, the people's democratic rights should be protected, and all cases where people had been illegally released or convicted should be reviewed and corrected "as a first step toward re-establishing the authority of the law. . . Secondly, a suitable relationship should be established between judicial theories and practices. All unnecessary security systems should be abolished." (NCNA, May 27).

As the People's Daily said on June 22: "The CCP decided not to deal counter-blows to these Rightists immediately, so that the masses might have the opportunity to recognise fully the faces of these Rightists . . . and learn a lesson therefrom. As a result, however, the Rightists waxed hotter emotionally."

Soon more daring proposals were being made; for example, that the political system should be "perfected," and "used correctly" (NCNA, May 27), that a special organisation be set up by the National People's Congress and Chinese People's Political Consultative Conference to examine mistakes committed during the "three-anti" and "five-anti" movements and the campaign against counter-revolutionaries, and to guarantee that there would be no revenge against those who dared to express their criticisms openly. (Lo Lung-chi, Deputy Chairman of the China Democratic League, reported by NCNA, May 22).

Chang Po-chun, Minister of Communications, suggested that a "political designing institute" be set up with the co-operation of various organisations. (NCNA, June 8). A journalist suggested that newspapermen should be represented on the Association of Chinese Journalists. (Kwangming Daily, May 19). At a People's Liberation Army

symposium it was suggested that Party committees should rely on scientists to do scientific research, and on medical practitioners to run the hospitals. (NCNA, May 27).

The "masses" were said to fear that the campaign was "fishing for revenge" but they had restrained their anger and lived a minimum life, without hope, for so long that they could no longer refrain from speaking. (Chu Shao-wen in People's Daily, May 15). The main complaint of the non-Party personnel seems to be that the Communist bureaucracy prevents them serving their country as they would like. For example, owing to the influence of a stupid bureaucrat, "preventive medicine in the Government Medical, Pharmaceutical and Hygiene Offices is still a matter of slogans." (Kwangming Daily, May 1).

A Peking University professor said:

"On seeing the many buildings in Peking University, a newcomer may well think that scholarly life is flourishing here. But if he stays in the school for a day or two and looks around him, he will find instead of a scholarly atmosphere only administration, daily quarrels about housing and living conditions . . . and the transmission of orders from above." (People's Daily, May 10).

More surprisingly, members of the "People's University" (the Party's indoctrination centre) denounced their university as a "large beehive of dogmatism," a university in name only. Some professors complained of insulting treatment during "thought reform." "If you think now that our opinions are too harsh and that you cannot take them, please remember that we are the dogs trained by you." (NCNA, May 31).

One member, Ko Pei-chi, went so far as to say that "goods shortage is due to the fact that the Government has made a mess of unified purchasing and marketing . . . the people who have really gone up in the world are Party members and cadres who used to wear worn-out shoes but now travel in cars and don woollen uniforms . . . the common people choose to give the Communist Party a wide berth, as though its members were gods and devils. The masses are under the surveillance of Party-ites who behave like plain-clothes police. China belongs to 600 millions, including counter-revolutionaries, not to the Communist Party alone. Your adoption of 'I am the State' attitude cannot be tolerated. . . If you carry on satisfactorily, well and good. If not, the masses might . . . kill the Communists and overthrow you . . . the downfall of the Party does not mean the downfall of China; we would not be traitors to the country." (People's Daily, May 31).

From this position, it was a short step to an open attack on the "Party Empire." Chu An-ping, editor of the Kwangming Daily, made a speech on June 1 entitled "Some Opinions for the Reference of Chairman Mao and Prime Minister Chou." He blamed the idea that the "Party is to control everything under heaven" as the basic source of contradictions between Party and non-Party personnel. It was the fault of the Party's Central Committee that members were appointed to posts beyond their capabilities. What did Mao Tse-tung and Chou En-lai think of the changed composition of the Government since 1949 when Mao had advocated and implemented the establishment of a Coalition Government with non-Party personnel? At present, there were as many as twelve Deputy Prime Ministers, but not one belonged to a Party other than the CCP. "Does this mean that no non-Party person is qualified to hold this post or to be trained for it?" (NCNA, June 1). Chu was later accused of publishing "instigating" articles in his paper and sending out correspondents to organise criticism of the CCP in other cities, "to create chaos in the Cheng Feng movement." (NCNA, June 11).

Chen Hsin-kuei said that the real cause of the "three evils" was the dictatorship of the proletariat. Defending

\*\* At a symposium of the Chiusan Society (reported by NCNA, June 8) its Chairman said that during the past seven years "barriers and ditches" had been formed between the CCP and others "in consequence of a series of movements and the struggle against counter-revolutionaries. . ." All views advanced to the CCP should aim at the improvement of unity between CCP and non-CCP members. A number of persons have, however, failed to voice their views because they are afraid of repercussions.

A Democratic League spokesman in Tientsin blamed the "high wall" or "deep abyss" on the fact that (i) Party members and non-Party people rarely meet each other. In handling a problem jointly, both sides lack sincerity, although they are friendly and polite. . . (ii) The Party understands a situation only as reported by Party members. . . (iii) The Party still adheres to the policy of secrecy, although the class struggles are basically over. . . (Peking Radio, May 21).



this view in a further meeting, he pointed out: "The mistakes committed by Stalin . . . (and) Rakosi can be attributed to the proletarian dictatorship system" (which was synonymous with the leadership of the Communist Party).

According to NCNA's report of his speech, Chen Hsin-kuei felt that the type and process of the dictatorship were worthy of study. In his article "On Proletarian Dictatorship" Lenin had pointed out that the fourth of the five tasks of proletarian dictatorship was to make use of the experts of the bourgeoisie and to reform all intellectuals through class struggle. This was the concern of the China Democratic League. In China a process of class struggle had been adopted for the transformation of old intellectuals. This situation was described by Li Ching-han as "a great effort to ensure obedience by the people through oppression."

Chen Hsin-kuei said that proletarian dictatorship was generally understood to mean dictatorship to the enemy, but democracy to the people. "This statement cannot hold water either theoretically or practically. On proletarian dictatorship, both Lenin and Stalin stood not only for the suppression of exploiters and defence against foreign invasion, but also for the organisation of Socialist economic, political, cultural and educational work. This work must be carried out by the Communist Party, the Communist Party members and the pro-Communist activists. The Communist Party mainly trusts its members, and the Communist Party members mainly trust their fellow members and members of the Young Communist League. They trust the pro-Communist Party activists only to a secondary degree. This is only rational and logical. For this reason, it is inconceivable for the Communist Party to abolish sectarianism, which contributes to the growth of bureaucratism and subjectivism, and for the Communist Party members to repudiate the 'Party kingdom' ideology."

Under the system of proletarian dictatorship, the mass organisations of the workers were "all tools used by the ruling Party. They must be passive and must refrain from playing an active role." (NCNA, June 10).

Some speakers express doubt whether the relations between the Communist Party and the masses were not those between masters and slaves. (E.g., Peking Radio, June 16).

Another speaker remarked that "all law-breaking activities have been traced back to Peking." (NCNA, June 10).

According to later reports, "many associations" of students were formed, through which "Rightists" spread slogans such as "Marxism is already outdated," "A campaign should be started for Democracy and Freedom," "The very source of the three 'isms' (three evils) lies in the Socialist System," and "The CCP can no longer guarantee the progress of our country."

A publication called the Peking University Democratic Relay Baton is supposed to have said that Peking University "is controlled by the counter-revolutionaries in a way more serious than in Poland and Hungary." (NCNA, June 21).

Most serious of all, Chang Nai-chi made speeches and published an article arguing that the national bourgeoisie could no longer be regarded as exploiters, although they still drew their fixed interest from the joint State-private firms.\*

Others made statements such as that the State representatives in these firms served no useful purpose and should be withdrawn, and that the fixed interest should be continued for 20 years.† A Tientsin manager and ex-director, for example, complained:

"The central authority told us that it will buy out our enterprises and will refrain from paying one half of the price, confiscating the rest. However, the actual prices paid by it in implementing the buying-out policy are as good as confiscating more than one half of the capital amassed by the private sector through exploitation. Prior to the conversion of our enterprises to State-private joint operation, the Tax Bureau attached great value to almost everything owned by us in order to levy more taxes. At the time of the conversion of our enterprises to State-private joint operations, however, the value of our property became so low in the eyes of the industrial and commercial authorities that we, the private sector, suffered a reduced share in the enterprises. In both cases, the Government authorities said that they wanted to be only realistic and fair in their work, which was carried out under the supervision of the working class. As a result of this 'realistic' work, under the supervision of the working class, in both instances, however, the total value of the property of private enterprises in China was reduced from the original 4,900 million yuan before conversion to State-private joint operation, to 2,200 million yuan afterwards."

Meanwhile, Mao had reiterated to various audiences his dictum that "all statements and all acts at variance with Socialism are wrong." On June 4, Ta Kung Pao denounced "abnormal tendencies" appearing in the Cheng Feng Campaign, and reminded readers that it was a movement for "Marxist-Leninist education," but "in certain agencies, criticism has been misused to expose certain old, settled and forgotten defects of the past. . ."

On June 6, Lu Yu-wen, Assistant to the Secretary-General of the State Council (not a declared Party member), read out a threatening anonymous letter he said he had received which declared that "If the Communist Party were to pay heed only to the words of you and your kind, it would lead to destruction some day." Peking Radio (June 8 and 9) reported that workers and trade union cadres in many places were "expressing indignation" at this, and also condemning the "anti-Socialist statements" made by Chu An-ying and Ko Pei-chi, and Chang Nai-chi's contention that fixed interest was not exploitation.

This was the signal for a series of People's Daily editorials (June 8-12) which "turned the tide" and inaugurated the counter-attack against "Rightist elements."

On June 8,‡ the Party organ wrote that the letter showed that "although the large-scale class struggle in our country has subsided, it is by no means completely finished." A few people were outwardly expressing support for Socialism, but were secretly longing for the European and United States type of political life. . . On June 11, the paper explained that the class struggle continued on the economic and ideological fronts. To "unite" the people (the declared purpose of the Cheng Feng campaign), "the required struggle" must be waged against the persistently anti-Socialist Rightists, and "a line drawn" between the latter and those who support Socialism and thus qualify for

\* He asked: "Why must the dual characteristics of industrialists and businessmen still be mentioned at this time? Is it that another 'Five Andis' will be launched?" (NCNA, June 15). In his speech on contradictions, Mao defined this "duality": "exploitation of the working class to make profits is one side, while support of the constitution and willingness to accept Socialist transformation is the other. The contradiction between exploiter and exploited, . . . is an antagonistic one. But, in the concrete conditions existing in China, such an antagonistic contradiction, if properly handled, can be transformed into a non-antagonistic one. . ."

† NCNA, June 15.

‡ This leader caused a "marked change in the atmosphere" in the Symposium: speakers felt it was time to "refrain." "Rightists" in Peking educational institutions started an "unceremonious retreat"; some were "compelled to voice their repentance" in the face of the "counter-attack against reactionary statements." (NCNA, June 21).



the rights of "people."\*\* On the same day the Peking Daily Workers cried: "The working class must . . . unite still more closely to repel the frenzied attack launched by the Rightist elements! . . . now that the Rightist elements are challenging the working class, the working class must pick up the gauntlet! . . ." Other articles warned against the "vicious criticism" of "ambitious Rightists," which constituted no "ordinary or simple problem," and in a leading article on June 14 the China Youth Daily revealed that they had stirred up "great confusion," and not all members of the China Young Communist League and young students "had been very firm in their stand"—some had even "capitulated to the Rightists," who were now "spreading a rumour that the CCP was going to end contention once and for all." (Peking Radio, June 13).

Also on June 14, the People's Daily blamed this "confusion" on intellectuals†† who had "overestimated the progress they had made," and "repudiated the idea that achievements are the most important thing." However, "no harm will be done by the deeply engrained anti-Socialist Rightists who have unwittingly exposed themselves in deliberately creating such confusion." Other articles said their real aim was to "establish the dictatorship of the bourgeoisie" and "basically to overthrow the CCP," so no one must be "fooled" into joining them.

At the same time the People's Daily attacked the non-Party Kwangming Daily and Wen Hui Pao for bourgeois tendencies, and for publishing "agitating reports." Specific criticism concerned the use of small type to report Mao's statement that "all statements and acts at variance with Socialism are wrong." It was laid down that "politics is involved in news arrangement also." (NCNA, June 13).

At a meeting held on June 15 "to discuss the reasons for the paper's recent change to a capitalist policy," the chief editor of the Kwangming Daily, Chu An-ping, was blamed, but its head, Chang Po-chun, took the responsibility on himself. (Peking Radio, June 16).

The Vice-Chairman of the Democratic League, Ma Hsu-lun, who said he had been ill for a year and "seldom interfered with the League's internal affairs" (sic) "demanded that the hidden background of the intricate relationship" between Chang Po-chun, Lo Lung-chi and Chu An-ping be brought to light (NCNA, June 15) and others alleged that their statements had been made "according to a plan." (NCNA, June 16). Another speaker made the ominous statement that those guilty of "serious ideological mistakes" could not be said to have remained "subjectively faithful" (to the Party). A new kind of unity was necessary, since the factor of common opposition to Chiang Kai-shek was no longer relevant, as it had been before liberation. Non-Party personages must "tear down the wall" by getting rid of their "capitalist thoughts." People were reminded that the rectification was supposed to be done gently, on a "basis of unity," so there was no need for a "thunderstorm" and a "hostile attitude" to cadres who had made mistakes. On the other hand, if "decisive blows" were not dealt to the Rightists, "blooming and contending" could not con-

tinue in a healthy manner. (Peking Radio, June 14 and 16).

In the wave of criticism, self-criticism and recantation which accompanied the counter-attack, some masterpieces of double-talk were uttered. The "Party empire" charge was countered by the argument that "recently the CCP, on its own initiative," had asked people outside it to "contend" and "bloom," "thus bringing about a democratic atmosphere never known before." (NCNA, June 8).

Those who had "contended most enthusiastically" were now, as foreseen, arraigned before further meetings of their respective groups, held to "draw a line" between them and the other members and denounced by their colleagues, friends and relatives. At these meetings their past actions and remarks were brought up and analysed to find their "ideological root," e.g., "hatred of the Soviet Union." Words were taken as "tantamount to" others, in accordance with the well-known "struggle-meeting" technique on the assumption that they revealed hidden "feelings" against the Party. (These charges are by their very nature impossible to refute—or prove). Some of those who made their self-criticisms right away, in order to show they only had "temporary doubts" and were not "hostile," were told they were "dishonest and unconvincing."\* Those who continued to defend their views, while denying that they were "anti-Socialist," were told: "It is dangerous to assume this two-faced attitude in political life." Some were dismissed from various posts, and "investigations" of their past crimes were ordered.

In all these "debates" the nightmare logic laid down by Mao was followed: the "persuasive" arguments openly used assumed a "common basis," and the Party supporters used "Socialist reasoning,"† failure to agree with which automatically marks a speaker as having a "different standpoint" from the people, and thus deserving suppression by their dictatorship if he does not "repent."

Chang Nai-chi, for example, was dismissed by the China Democratic National Construction Association (CDNCA) from his post on the Kwangming Daily for "serious capitalist thoughts." It was proposed that a "severe penalty" be imposed on him if he failed to repent. (NCNA, June 18).

At a joint meeting with the All-China Federation of Industry and Commerce it was agreed that meetings should be held, and a directive drafted calling on the country's industrial and commercial circles, to criticise Chang's "gravely erroneous view."

"If Chang Nai-chi's words are put into practice," it was threatened, "it is possible that the contradictions of a non-inimical character will become inimical." (NCNA, June 13).

At a further meeting, Chang was arraigned in person for his "poisonous views," which he was asked to "humbly examine." Many questions were put to him, such as "Is bureaucracy the product of capitalism or of Socialism?"

\* After listening to accusations (e.g. of collaboration with the Japanese—by a friend who had known him for 20 years) Lo Lung-chi said: "Though my bones be burnt to ashes, no one will be able to discover any anti-party and anti-Socialist attempts. . . I do not agree with many opinions of Chang Po-chun. I have only agreed with him in speech, but not in my mind; as for the Communist Party, I do not agree in my speech, but I am mentally one with it." He was told he was simply defending himself, and would have to state his position at the next meeting. (Peking Radio, June 25).

† "Since those who voice the reactionary views are basically opposed to Socialism, they naturally will not subscribe to our reasons. . ." (Kwangming Daily, June 13).

Similarly, on "mutual supervision" of the parties, it was laid down that only "Socialist supervision" was true supervision. (Peking Radio, June 12).

‡ Later, Chang was attacked for daring to say that industrial and commercial circles were criticising him as a result of outside pressure. The Shanghai ACFIC and CDNCA were called to enlarged meetings for the purpose. (NCNA, June 20).

\*\* According to Mao's speech "the term 'the people' has different meanings in different countries, and in different historical periods in each country. . . At this stage of building Socialism all classes, strata and social groups which approve, support and work for the cause of Socialist construction belong to the category of the people, while those social forces and groups which resist the Socialist revolution, and are hostile to and try to wreck Socialist construction are enemies of the people." (NCNA, June 18).

†† The principal of the Szechwan CCP Committee remarked "I notice that most of the people who disseminate fantastic anti-Socialist comment are noted intellectuals. Their comments had the 'fetid odour of capitalist democracy.'" (Peking Radio, June 18). In Tientsin a Democratic Construction Association official complained "whenever I support the intellectual elements I am accused of being an admirer of U.S. imperialism." (Peking Radio, May 21).



Why is it that the fixed payment system is not a form of exploitation, although it is obviously exploitation?"

Chang denied he had said that no duality existed among the bourgeoisie. He thought it was mainly a question of "thinking and working style"; a "wall" and "gulf" had existed in the past, because "many forces were set off through mutual fear, mutual antagonism and mutual isolation"—the after effects of the past struggle. "The major shortcoming of the industrial and commercial circles to-day has been passive self-degradation." "Removal of this passivity," he said, "would speed up the building of Socialism."

On June 25, Chang still insisted that "subjectively, he could find no anti-Party . . . activities in himself," and offered to resign his office as Minister of Food, according to two members of the China Democratic National Construction Association who went to "help" him. "Members of the Central Committee unanimously expressed anger at (his) stubbornness and formed a sub-committee to investigate his previous reactionary activities."

At a meeting of the Central Committee of the Democratic League, the Deputy Chairman, Shih Liang, said the Cheng Feng campaign had now unmasked the true faces of some Rightist, anti-Communist, anti-Socialist elements, including Chu An-ping and his overt and covert supporters. They had blamed the shortcomings on Chairman Mao and Prime Minister Chou "who are loved by all the people of our country." Shih Liang revealed that during a "chat" at his home Chang Po-chun had said "both Hu Feng and Chu An-ping will turn out to be historic figures." (NCNA, June 13.) In the meanwhile Chang had abjectly apologised for his previous remarks saying: "I shall try my best to learn from you painstakingly and patiently in order to train and accustom myself to the democratic life." He also criticised someone else for asking all CCP members within the Democratic League to disclose their CCP membership, and attacked other "Rightists." (NCNA, June 10.)

All the members of the Kwangming Daily branch of the Democratic League and some other editors were mobilised to attack Chu An-ping. "Proof" was produced of "deep deliberation" behind his statement. Details of his actions and sayings in the paper's offices were revealed and unfavourably interpreted. Some people were said to think him courageous, but was it not "courage in the face of the people?" (NCNA, June 11.)

Later the Central Committee of the CDNCA issued a long statement blaming Chang Po-chun and Chu An-ping for the Kwangming Daily affair. The latter had ordained "objectivism" in reporting, in spite of the fact that China was a Socialist country in which newspapers were the most effective instruments for the Socialist education of the masses. By giving emphasis in the paper to "revelations," he had encouraged "querulous and absurd views," thus "giving the masses a false impression of the new China."

On June 17 anti-Rightist mass meetings of students were held in Peking on the pretext that a bomb had been thrown into a Party official's room at Peking Medical College. He was a member of the Party Committee. (Removal of these Party Committees was one of the "Rightists'" demands).

On June 18, the text alleged to be that of Mao's February 27 speech on "contradictions," with "additions" (which shortened it from four hours to two and a half) was suddenly published. The Party's defenders, brandishing the "six criteria" laid down in it, pressed home their counter-attack, and at the Cheng Feng meetings speakers praised Mao, recanted their earlier statements and were denounced by their friends and relatives. Soong Ching-ling (Madame Sun Yat-sen) announced that "though forced

by illness to be somewhat inactive recently" she had been attentively watching the Cheng Feng movement: it was "giving everyone a chance to blow off steam," "so that all hidden ideas are laid on the table for examination." (NCNA, June 21).

The puppet parties now unanimously hailed Mao's speech as a "powerful weapon in the struggle against Rightists," and called on their members to struggle against Rightists and begin a Cheng Feng movement of their own.\* At a further meeting of the Kuomintang Revolutionary Committee, for example, conducted in an "extremely tense and solemn atmosphere," "inner class struggle" was carried out "for the first time," while the Rightists remained silent. Resolutions demanded the dismissal of the Rightists, investigation of their reactionary comments and actions, and the imposition of an "appropriate penalty."

The words "conspiratorial activities" were now uttered. It was asked: "Can these mistakes of political stand be confined to mere statements without involving action?—thorough investigations should be conducted. . ." (NCNA, June 18).

The question of Lu Yi (deputy chief editor of Hsin Wen Jih Pao) was said to be "no longer a matter of contradiction within the ranks of the people, but a contradiction between the people and their enemy." The staff demanded a full explanation of his Rightist conspiratorial activities, and suggested he be relieved of his post. A version of his past history was raked up, and "all speakers pointed out that Lu Yi's anti-Party activities had been well organised and had been carried out in close co-operation with the Rightists." His daughter and son-in-law had asked for a "full explanation" of the Rightists' crimes. (Shanghai Radio, June 21).

In a reference to the bomb incident in Peking, NCNA warned: "The scheme of reactionary elements to murder . . . with a bomb is by no means an isolated affair. . ." (June 20). Various reports of "counter-revolutionary conspiracies" in Shantung, Fukien and elsewhere, and of the distribution of "reactionary posters" and handbills by students, led up to the fully-fledged announcements on June 27 that a "counter-revolutionary conspiracy," involving students, had been smashed by the security police in Nan-king.

Ramming home the lessons of Mao's speech, the People's Daily said on June 22 that the Hungarian incident had led the "Rightists" to make a "wild attack on the Socialist system and the leadership of the CCP. . . if the bourgeoisie refuses to accept the policy of the working class, the contradictions between them may still revert to those of a hostile nature. . . the present struggle was by no means initiated by the working class. An old Chinese proverb has it 'the tree wants to calm down, but the wind continues to blow it'."

This, says the paper, is because although the various campaigns were held in preparation for China's Socialist revolution, it was carried out in peace (sic).† Hence the need for a "final debate" on the wisdom of choosing the Socialist or the Capitalist path. Moreover, "through this debate we will be able to identify the true faces of some people." Putting it another way, the Kwangming Daily (which had changed its line since June 8) wrote that "the struggle against the Rightists now being carried on in our country is a golden opportunity for intellectuals to transform themselves; all intellectuals. . . must rise up. . . to wipe out the Rightists." (June 22).

\* Mao's speech increased the "momentum of the struggle" against Rightists. (NCNA, June 21).

† The military conquest of the Chinese mainland is regarded as the bourgeois revolution.



This transformation is to be carried out mainly by "study" (Hsueh-hsi) but "suppression" still awaits the recalcitrant.

The People's Daily, attacking the bourgeois parties (especially the China Democratic League and the Chinese Peasants' and Workers' Democratic Party), said on July 1:

"Should they be punished? As things stand, this is not necessary, because the people's regime is very consolidated and many of them are prominent people: we can afford to treat them leniently without resorting to punishment.

"Only in those cases where, despite repeated warnings, they refuse to mend their ways and continue their sabotage and violation of the criminal law, will it be necessary to punish them."

A Central Committee member of the Kuomintang Revolutionary Committee warned (Peking Radio, June 23): "Some Rightists are very sick, almost too sick to take any medicine. . ."

A timely prescription has just been written by Chairman Mao: the Regulations for the "People's Police." They

are "one of the important tools for enforcing the people's democratic dictatorship" (Article I); their task is to "punish counter-revolutionaries according to law" (Article II). (Until the present there has been no civil or criminal Code of Law in Communist China).

Thus the purpose of the Cheng Feng campaign is, as announced, to strengthen the Communist Party's rule in China by "remoulding" the intellectual opposition as well as the Party bureaucrats who exacerbate it. It aims not just to kill two birds with one stone, but to keep both birds busy pecking each other while the Party picks up the golden eggs. In practice, it will be very difficult to maintain the required balance, especially on the lower levels: moreover, according to Mao's own theory of eternal flux, there can be no "final debate." The idea of resolving "contradictions" by interfering further with natural processes and provoking new contradictions would not meet with the approval of Lao-tze,<sup>‡</sup> although Mao tries to enlist him as a forerunner of Hegel and Marx.

<sup>‡</sup> The supposed founder of Taoism, born about 604 B.C.

## PAPER MONEY IN MODERN CHINA (1900-1956)

### BANKS OF THE PROVINCES AS ISSUERS OF NOTES

By E. KANN

#### PART XII

##### (54) SZECHUEN GOVERNMENT BANK

Established in 1923, at a time when the province of Szechuen was seriously disturbed by incessant civil warfare, the bank had to close its doors in the same year. A portion of its notes remained unredeemed, thereby causing large losses to the Szechuen public. The Szechuen Government Finance Corporation, also established in 1923, had to share the fate of the Provincial Bank.

Szechuen Province was noted for its never-ending internecine strife extending over many years. Such local wars were financed mainly by the issue of military notes and tax certificates in the shape of banknotes, also issued by the soldiery.

From a one dollar note, undated and primitively printed on soft native paper, adorned on the reverse by a picture from the Chinese classics, one can clearly perceive that matters must have gone wrong. For such notes bore the seal of the Chengtu Chamber of Commerce, which points to the fact that their circulation was impeded and had to be backed by some party in whose integrity more confidence was being imposed than in the strength of the official bank.

Upon the establishment of the Republic (1911), rival authorities took domicile in Chengtu (the capital) and Chungking (eastern Szechuen). The Hwa Chuen Bank was opened in Chungking, and the Szechuen Bank in Chengtu. The latter issued military scrip in large amounts, the total exceeding \$15 million when the Szechuen Bank failed.

In 1923 General Yang Sen revived the Bank of Szechuen in Chungking and had notes for \$1,000,000 face amount printed. About \$600,000 of this issue remained unpaid.

##### (55) REGIONAL BANK OF SZECHUEN

This institution, also known as Local Bank of Szechuen, appears to have been the successor of the Szechuen Government Bank. Organized by the military in 1934, it had a capital of \$2,500,000, of which one-half was paid up. Nominally a corporation with unlimited liability.

By the end of 1927 its note-circulation stood at \$26,700,000. The bank's issuing-privilege was cancelled in 1935, when the Central Bank of China established its own branches in Szechuen and undertook to redeem all paper money circulating within Szechuen Province (except the private issues) at the rate of 10 Szechuen dollars equal to 8 Central Bank dollars in notes. The bulk of such fiat money was promptly exchanged, for at the close of 1938, only \$1,000,000 of the Regional Bank's emission was left unredeemed. Two years later the author received from Szechuen such a \$10 note, for which he was charged \$3.

In 1933 Szechuen was unified under the military might of General Liu Hsiang, who had been appointed Rehabilitation Commissioner. He then started the Szechuen Local Bank whose capital was fixed at \$2,000,000, toward which the official contribution of \$1,250,000 was appropriated in full.

The Szechuen Regional Bank was officially opened for business in 1934, and the issuance of banknotes constituted its chief means to regulate the financial situation of the province. A Reserve Board was appointed to supervise its note-issue. Originally, the reserve against fiat money circulated was fixed at 60% in cash and 40% in securities. However, owing to the incessant withdrawals and "borrowings" by Liu Hsiang's 21st Army, the total note-issue by the end of June, 1935, had reached \$32,003,263, while the reserve



had shrunk to only \$1,241,944, or 3.83%. By that time \$1,620 in paper was needed to obtain 1,000 silver dollars in exchange, while remittances to Shanghai cost \$1,698.

In 1935 the Central Bank of China insisted upon the replacement of the various military emissions by its own notes. For this purpose bonds for a total of \$30,000,000 were floated, and Central Bank notes were given in exchange for the provincial series, the latter suffering a discount of 20%. A total of \$37,000,000 was redeemed by Central Bank fiat money and the power to issue was withdrawn from the militarists.

Due to military control the affairs of the Szechuen Regional Bank had become entangled to such an extent, that business could no more be carried on. Therefore the institution was merged in 1935 with the Szechuen Provincial Bank, which latter remained under military mismanagement.

#### (56) SZECHUEN CIN CHUEN YEH BANK

From the original Chinese name, especially from its character *Guan*, it becomes apparent that this was an official institution, either a full-fledged bank of the province, or at least a semi-official bank. In 1915 it issued a one-dollar note, primitively printed on native paper. But other details as to its organization and its demise are not known to the author.

#### (57) SZECHUEN OFFICIAL MONEY BUREAU

The author owns a 1-dollar note bearing the name of the above institution. The reverse of the note shows a scene from the classics in dull-blue without legend of any kind. The note is undated, but probably issued during the republican regime.

There was a Szechuen Official Bank (possibly the analogous institution), issuing notes in values of \$1 and \$5, dated 12th Year of the Republic (1923). It also was responsible for the circulation of paper calling for coppers.

#### (58) SZECHUEN PROVINCIAL BANK

Was founded in 1935 by the 21st Chinese Army, which latter was then engaged in a campaign against Chinese Communist forces. The bank's capital was \$2,000,000, of which \$1,200,000 was paid up, supplied entirely from official funds. Within a brief period of its establishment, the organization issued as much as \$2,000,000 dollars worth of notes, and as these were inadequately secured, runs resulted, culminating in severe currency depreciation. In order to remedy the situation, the Central Government, in 1935, arranged for the flotation of a special loan in the shape of Treasury bonds (calling for interest at the rate of 5 per mille per month), secured upon Szechuen's provincial revenues and due for redemption after five years.

In July, 1935, the Central Bank of China opened its own branches in Szechuen, took over the bank's reserves in silver (aggregating \$1,200,000), and issued its own notes in place of the depreciated local money. Shortly thereafter, the Szechuen Provincial Bank was forbidden to issue further quantities of its paper, and by November, 1935, almost its entire issue had been redeemed. A portion of its note-emission was made on blanks originally printed for the Bank of Chungking and surcharged "Szechuen Provincial Bank."

When the notes emitted by the Szechuen Regional Bank could not be redeemed, the Szechuen militarists, in the autumn of 1935, converted the institution into the Szechuen Provincial Bank, the often-tried probate means to overbridge unbridgeable difficulties. Then the Provincial Bank capital was fixed at \$2,000,000. Following the out-

break of the Sino-Japanese undeclared war (1937), the authorities fled to Hankow (i.e. the Central Government from Nanking) and tightened its control over Szechuen finances. In 1938, the Szechuen Provincial Bank was re-organized. In 1940, the bank's capital was nominally increased to \$10,000,000. As subscriptions from the public failed to materialize, the Ministry of Finance allotted the bank \$2,000,000 in the shape of Consolidated Bonds "D", so that the capital actually paid-up became \$4,000,000, the Government retaining a controlling voice.

In 1942 the Szechuen Provincial Bank had its capital increased to \$40,000,000. While the said organization handled the normal functions of a commercial bank (deposits, loans and remittances), it earned its revenues from other sources. In the past it had owned the note-issuing privilege; and later on it functioned as agent of the Provincial Treasury, gaining thereby access to large amounts of working capital. In 1940 the bank collected for the Provincial Treasury \$65,000,000, and in 1941 \$140,000,000. In 1942 it collected for the State Treasury \$800,000,000, and in 1943 \$440,000,000. These funds could be lent out at low interest, and the various militarist and bureaucratic enterprises were being launched with these low-interest loans. Investment by the bank totalled \$6,000,000 in 1942, and \$9,900,000 in 1943. But loans granted by the bank were considerably larger, amounting in 1943 to \$360,000,000. Another lucrative operation of the Szechuen Provincial Bank was its acting as agents for the purchase of food. In 1941 it handled food purchases to the extent of \$110,000,000.

#### (59) SZECHUEN PROVINCIAL LOCAL BANK

In September, 1927, Liu Cheng-hsun and Chiang Kewu established the Szechuen Provincial Native Bank at Chengtu, while another militarist, Lai Shen-hui, established the Chungking Official Native Bank. The latter issued banknotes to the extent of \$2,600,000, another burden eventually placed upon the shoulders of the people. The Chengtu Government Native Bank meantime had issued notes to the extent of \$2,995,000, and of this total \$2,734,000 remained unredeemed in public hands.

#### (60) THE SIKONG PROVINCIAL BANK

Originally Sikong was not a province, but a part of Szechuen; it borders on Tibet. In the late 1920's it was created as a new province. Its bank was organized by the Sikong Provincial Government in August of 1937 with a capitalization of \$250,000 and head office at Kanting.

As part of its program to re-adjust the currency system in Sikong Province, the Ministry of Finance in 1939, gave its permission to the Sikong Provincial Bank to print and put into circulation new Tibetan banknotes. These were to circulate side by side with Chinese legal tender notes, with their exchange value fixed at 50% of fa-pi. Up to then Tibetan silver coins (struck after the rupee type) had served as principal tender in the commercial market of Sikong, but the Provincial Government issued an order to the effect that all persons holding such coins must turn them over to the Government in exchange for legal tender, or the new Tibetan banknotes.

#### (61) KANSU PROVINCIAL BANK

The exact year of starting business is not on record; probably round 1920. Neither is its original capitalization and organization common property. But we do know that in 1940 the bank raised its capital from \$1,000,000 to \$6,000,000.

Toward the close of 1923 the paper money of Kansu province depreciated heavily, causing much confusion and



suffering. The notes in circulation there were currency notes and fractional currency. The former, issued by the Kansu Provincial Bank, called for taels. Originally the notes were popular, but gradually financial conditions grew so bad that the Provincial Bank had to seek a Moratorium. The reason given was the scarcity of silver, an excuse which probably was true, but which really meant that silver had left the province in settlement of outside obligations. The crisis resulted in a depreciation of the tael notes to 40% of face value. At this price the authorities redeemed the tael notes in the summer of 1923, issuing at the same time new series of dollar notes. Fractional fiat money also was heavily depreciated. Those "currency reforms" also included the re-minting of the new debased coppers at a better weight, better finish and higher intrinsic value.

In 1940 the Kansu Provincial Bank's note issue aggregated \$7,400,000, inclusive of subsidiary paper.

In 1921 varnished calico notes appeared for the first time in Kansu Province, whence they were adapted by neighboring Sinkiang Dependency.

It is of considerable interest to establish with authenticity the origin of Kansu lacquered banknotes, later on also adopted by adjoining Sinkiang. On January 8, 1948, Mr. G. Findlay Andrew, a China-born American, and a sinologue of repute, spoke at a rotary meeting in Shanghai on currency problems of China. Inter alia he threw light on the derivation of notes on cotton cloth covered by varnish, in order to better preserve these. Said Mr. Andrew:

"The transportation of any large quantity of brass cash constituted a very live problem. Thus in the year 1921, when I was directing relief work in the province of Kansu, after that tremendous earthquake in December, 1920, I found myself with some 14,000 men working on the roads and rivers, each of whom received a nominal daily wage of 400 or 500 cash. In our largest undertaking with 3,800 workers the daily payroll in cash weighed seven tons. It was soon realized that the only satisfactory solution of this problem lay in the issue of a currency of our own. This was effected by impressions taken in calico off prepared wood cuttings representing denominations of 100 and 400 cash, which impressions were then oiled to prevent alterations. These notes circulated throughout fourteen counties and were brought to me by the representatives of the local Chamber of Commerce; and I redeemed them against bulk payment in silver sycee."

Although these lacquered notes were not a liability of the Kansu Provincial Bank, their peculiar existence is recorded here as authentic narrative of somewhat odd ways of note issues in the Interior of China.

## (62) LANCHOW OFFICIAL BANK

About the organization of this bank very little is known. Its existence is, however, beyond dispute, for we know that it issued tael banknotes. In 1925 these had fallen to only 30% of face value, according to the "Chinese Economic Bulletin" No. 237 of September 5, 1926.

## (63) FU LUNG BANK

The note-issue of the Bank of the Northwest, or at least the denomination of one dollar, dated 17th Year of the Republic (1928), exists with black surcharge of four characters on the obverse, standing for Fu Lung Bank. The reverse contains a large vermilion seal in seal script (covering one-half of the note), showing that the provincial authorities of Kansu had assumed liability for the bank and for the paper issued under its name.

This transformation was probably made in the early 1930's by an institution which undoubtedly had been commissioned to exercise the functions of a bank for the province of Kansu. Nothing is known to the author regard-

ing the organization and capitalization of the Fu Lung Bank.

## (64) MONETARY BUREAU OF GOVERNMENT, KANSU

Under this style subsidiary notes dated 1935 made their appearance in that year; these called for 50 cents. Whether or not this institution was a separate organization, or whether it was synonymous with the Kansu Provincial Bank, is difficult to tell.

## (65) NINGHSIA PROVINCIAL BANK

Very little is known about this institution. According to the Bank of China's Bulletin for January-February, 1936, the bank's note circulation amounted to \$850,000 at the end of 1933; a year later the total stood at \$962,535, while it had risen by the close of 1935 to \$2,450,000.

## (66) SUIYUAN PROVINCIAL BANK

The authorities in this area, in the beginning of 1928, contemplated the emission of \$500,000 worth of "liu tung chang" circulating notes "for the relief of the money market which had been seriously affected by the civil war." The issue was to be known as "Military Rehabilitation Circulating Notes", a title which does not promise well for the redemption of the paper forced into traffic by the soldiery.

Capitalized at \$300,000, the said bank had a note-circulation by the end of 1936, amounting to \$5,368,800.

In 1937 it lost its note-issuing prerogatives, being superseded by the Japan-controlled Chanan Bank.

## (66a) CHANAN BANK

Shortly after the Japanese armies occupied Kalgan (North China) in 1937, they organized a financial institution under the style of Chanan Bank. Same was to serve their purposes. It obtained the privilege of sole issuer of paper money, taking the place of the Chahar Commercial Bank and the Suiyuan Provincial Bank. The notes issued by the Chanan Bank were to be linked to the Nipponese yen. The bank's capital amounted to yen 1 million and was borrowed from Manchukuo.

However, the career of this institution extended over months only, for on November 23, 1937, it was merged into the newly created Mengchiang Bank\*), an institution which was to attend to the financial needs of Mengchiang (Inner Mongolia).

## (67) FENGTIEN OFFICIAL BANK

Was established in 1906 by Governor Chao Erh-sun under the style of "Fengtien Guan Yin Hao". Its original capital was 300,000 Shenping taels. It issued notes, but particulars are unavailable.

## (68) THREE EASTERN PROVINCES BANK

This institution is variously known in English under the above name, as also under the styles of "Bank of Manchuria", "Provincial Bank of Manchuria", "Tung San Shen Government Bank", "Three Eastern Provincial Government Bank", or "Bank of the Three Eastern Provinces." It is a direct successor to the Fengtien Official Bank and took over from the latter (then also known as "Fengtien Provincial Bank") in 1909, when its capitalization was raised to 600,000 taels. In 1918 its capital was fixed at 1,000,000 dollars. In 1924 it was amalgamated with the Fengtien Industrial Bank and the Three Eastern Provincial Bank (a private institution), both of which had been notorious for

\* See "The China Annual, 1943", Tokyo & Shanghai, p.p. 1121/23.



# THE GEOLOGY OF THE AREA AROUND KAM CHUK PAI PLOVER COVE OF HONGKONG

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## INTRODUCTION

The geology of the Plover Cove area was indicated in outline on the 1:84480 geological map of the Colony, printed in 1936, and the succession given was as follows:— ROCKY HARBOUR DYKES; ROCKY HARBOUR VOLCANICS; MIRS BAY RED SEDIMENTS; SHELTER VOLCANICS; TAI MO SHAN PORPHYRIES; PAT SIN SEDIMENTS; TOLO CHANNEL VOLCANIC SEDIMENTS.

This was described by Williams (1943, 1945, and 1948) and these descriptions were incorporated in "The Geology Of Hongkong" by S.G. Davis, in 1952.

This present report (completed in August, 1955) describes an area of some three square miles around Kam Chuk Pai in Plover Cove, and was supplemented by maps, sections, rock and slide collections.

Acknowledgements are gratefully made to the Lee Ming Iron Mines Company Ltd., for providing transport to the area and to Mr. L. Berry for critically examining both the field work and this report.

## TOPOGRAPHY

The northern half of the area is dominated by a major southward facing cuesta. It runs in an ENE direction in the west of the area from 665246 \* to 687248 north-east of Tai Kau, and then runs in an ESE direction to the eastern edge of the map at 700242. The crest of the cuesta is mostly over 800 feet O.D., (260 metres) and reaches 925 feet (299 metres) at 673247, and 935 feet (302 metres) at 680249. The change in direction of the main scarp-line north-east of Tai Kau (687248) coincides with a low col at some 570 feet O.D. (185 metres). To the north of the crest-line the dip-slope is strongly modified by a series of minor escarpments, often locally subdued; these run sub-parallel with the main cuesta and gradually step down to the sea in the north.

The southerly facing scarp slope is nearly everywhere margined by precipitous cliffs which may be up to 160 feet (50 metres) in height, the line of these cliffs is very ragged in detail owing to the existence of numerous landslides which have, in places, considerably modified the profile of the scarp slope. Thus above Kam Chuk Pai itself, at 671246, a very large landslip of rotational type has subsided some 150 feet, causing a pronounced step in the scarp slope, and in the inner angle of the step a deep landslide chasm can be seen overgrown with rank vegetation.

The average slope of the scarp to the north of Plover Cove, between 160 and 900 feet O.D. (50 to 290 metres) is some 30°, below this level the slope decreases rapidly to about 15° and in general remains at this value down to the sea. The scarp slope below the precipitous cliffs is mantled with a thick layer of "slip, slump and fall" material with some very large rock masses included in the debris,

and almost certainly represents the products of the repeated landslides that have occurred in this region during the northerly retreat of the cliff-line of the cuesta.

The southern half of the area shows a long narrow arm of land extending in a WSW direction and separating Plover Cove from Tolo Channel. This arm of land shows a marked alignment of its topographic detail in a WSW direction, and its hill summits decrease gradually in height from 540 feet O.D. (188 metres) in the east (at 692227) to about 320 feet O.D. (100 metres) in the west (665217). A small peninsula of land juts WSW into the head of Plover Cover near Siu Kau.

The area as a whole shows a marked tendency for the stream valleys and re-entrants on the hills to follow NW-SE. and NE-SW. directions, a tendency well marked in many other areas of the Colony.

## GEOLOGY

The general geology of the area is very simple, and the three-fold succession is as follows:—

	Thickness
3. RED BEDS A rhythmic series of	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <ul style="list-style-type: none"> <li>Red Shales</li> <li>Red and Cream Sandstones</li> <li>Conglomerates</li> </ul> </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div style="text-align: center;"> <p>&gt; 1000 ft.</p> </div> </div>

## MAJOR UNCONFORMITY

2. ACID VOLCANICS	> 2500 ft.
1. OLDER SEDIMENTS A rhythmic series of	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;"> <ul style="list-style-type: none"> <li>Shales</li> <li>Siltstones</li> <li>Quartzites and Sandstones</li> <li>Conglomerates</li> </ul> </div> <div style="font-size: 3em; margin-right: 10px;">}</div> <div style="text-align: center;"> <p>&gt; 3000 ft.</p> </div> </div>

### 1. Older Sediments

The sediments form a rhythmic pulsatory series of the type conglomerates, quartzites and micaceous sandstones, micaceous siltstones, and grey, black and purple shales dipping to the NNW., at about 50°. Near the base of the series there is a very well marked coarse conglomerate about 100 feet thick, containing abundant pebbles ranging up to 6 inches in diameter dominantly of vein quartz. This conglomerate outcrops as a band at or near the shore of Tolo Channel, and it was from immediately south of this band that Heanley found the lower Jurassic ammonites in shale in 1923. The actual locality is at 707231, just off the eastern edge of the map (appended). Stratigraphically below the conglomerate, which incidentally cross-cuts many of the older beds at a low angle, there is a series of conglomerates, quartzites, micaceous sandstones and siltstones, and grey, black and purple shales, which outcrop along a narrow zone between Tolo Channel and the coarse conglomerate.

\* Figures in six-fold groupings indicate grid references on the 1:20000 map sheet 12. 3rd Edition, 1949.



Above this series of conglomerate there is a rhythmic pulsatory sequence in units as follows:—

4. Shale	Top	
3. Micaceous siltstone		
2. Quartzite and micaceous sandstone		One Unit
1. Conglomerate	Base	

#### NON SEQUENCE

4. Shale		
3. Micaceous siltstone		
2. Quartzite and micaceous sandstone		One Unit
1. Conglomerate		

The units may be complex in that not only are items 2, 3 and 4 often repeated successively within a particular unit, but also items 1 or 2 may mark the base of different units, and rest at different levels on a lower unit.

Although the full details of these rhythms are not yet worked out some useful observations were made during the preliminary traverses.

At least six units with conglomerate at their base occur and would indicate that the average unit may be somewhere about 500 feet thick. Apart from the coarse conglomerate, all the other conglomerates have vein quartz pebbles and fragments rarely exceeding one inch in diameter. There is a marked difference in dip and strike between the conglomerates and the underlying beds, and the former cut across successive members of the underlying beds. Thus at 670222 a quartzose conglomerate strikes at  $80^{\circ}$  and dips to the north at between  $50^{\circ}$  and  $60^{\circ}$ . It transects underlying purple and micaceous siltstones striking  $50^{\circ}$  and dipping at about  $40^{\circ}$  to the northwest. This type of relationship also occurs at other localities (661207 : 687231).

From this evidence it is probable that we have a typical rhythmical pulsatory series formed under deltaic conditions of sedimentation. It might appear that a delta grew out in a WSW. direction from a land mass situated to the ENE. of Hongkong. The general regional strike of these sediments is from WSW. to ENE., with a dip of about  $50^{\circ}$  to the NNW.

In many places there is evidence of very strong shearing having occurred and the shear planes strike in a WSW.-ENE. direction concordant with the general strike of the sediments. The shearing is best seen in the coarse conglomerates where most of the pebbles have been cracked and displaced many times before being re-cemented. Under the microscope many of the sandy and gritty beds show strong undulose extinction in the quartz grains and lamella glide twinning has been observed.

Many small faults were noted in a NNW.-SSE. direction and abundant quartz veins occur along this structural line, some of them bearing iron ore in the form of magnetite, haematite and limonite. Boulders of iron ore, some very large (up to 6 feet in long diameter) occur in places along the south coast of Plover Cove.

A brief examination of previous work on these sediments clearly shows the difficulty that has occurred in their interpretation. Williams (1943, pp. 101-102, repeated almost verbatim by Davis 1952, p. 23) states:—

"The Pat Sin formation was considered by Heanley as a part of the formation bearing the ammonites, and Grabau, in following the preliminary classification of this survey, has so considered it. The black argillaceous rock containing ammonites, is clearly of marine, off-shore origin; the conglomerate of the Pat Sin Formation represents an uplift of the neighbouring land, followed by rapid erosion and deposition of sediments in a shallow sea on a fairly stable but gradually sinking coast. Good ripple marks occur in the sandy beds, bearing evidence to the shallow water conditions. Moreover, the pebbles of the Pat Sin formation appear to have been derived from the various divisions of the Tolo Channel formation, and particularly from the basal volcanics. An uplift and erosion cycle of considerable duration had evidently preceded the deposition of the Pat Sin basal beds. The contact with the underlying formation is at least disconformable and probably unconformable to a marked degree."

On this basis Williams divided off the Pat Sin formation above, from the Tolo Channel formation below.

Later, in considering the basal contact of the Pat Sin formation, Williams (1943, p. 104, repeated by Davis 1952, p. 26 who omits the word "Island"), states:

"The occurrence at the fossil locality on the north side of Tolo Channel Island is, as already described, confused by intrusives and probably by faulting."

The intrusives referred to are described as follows:—

"Here, at low tide, 3 feet of soft black pyritiferous silty shale may be seen caught between two felsite Rocky Harbour dykes, which apparently cut off the shale below . . . it seems likely that the contact is faulted."

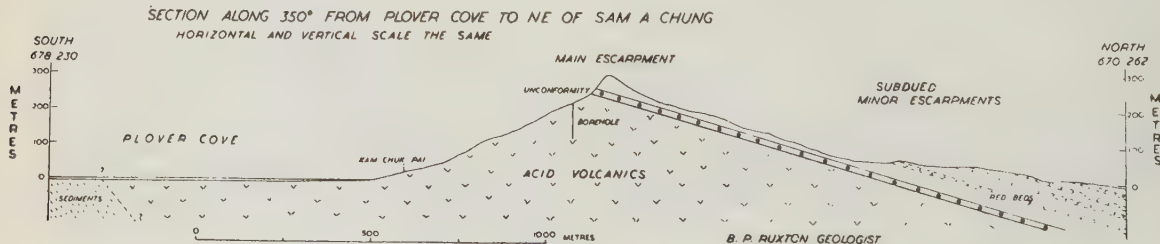
(Williams, 1943, p. 96: repeated Davis, 1952, p.17).

Heanley stated in 1923 (p. 85):

"At the under side—indicated by current bedding—of one of the conglomerate beds the writer found a bed of black shale which for the most part was highly schistose. In one place, however, a sill of igneous rock is found standing almost vertically like the beds, and for about a yard from the contact the black shales contain marine fossils. The writer thinks that the sill hardened the shale and also protected it from the pressure which made the rest part of the bed too schistose for the preservation of fossils."

Heanley's statement is very clear and concise and my own observations in the area support his original findings.

\* Figures in degrees indicating direction are true bearings.





One is very surprised that neither Williams (1943 and 1945) nor Davis (1952) makes any mention of the following points made by Heanley in 1923:—

- i) the hardening of the shale by the "sill" being the reason for the preservation of the ammonites;
- ii) the presence and attitude of the current bedding; and
- iii) the abundance of white mica in the older sedimentaries.

Williams (1943, p. 102: repeated Davis, 1952, pp. 23-24) did, however, note that:—

"The Pat Sin formation is intimately cut and penetrated by dykes and stringers of fine-grained, dense, red, shaly material, which appears to be a weathered, and sheared phase of the Port Shelter intrusives. The colour of the intrusives is so nearly like that of some of the weathered enclosing grit, that it is commonly most difficult to separate the rocks of sedimentary from those of igneous origin. . . . These striking intrusives vary in thickness from mere stringers to masses scores of feet across. They are not confined to the Pat Sin formation, but are in general so closely associated with it that isolated exposures of "red intrusive" have been considered presumptive evidence of the presence of the Pat Sin formation."

Davis in 1949 (p. 37) stated that:

"Many fragments from the Formation (Tolo Channel Formation) have apparently been forced up by volcanic action into the later Pat Sin Formation,"

perhaps this was an attempt to account for the "red intrusives". These intrusives are now interpreted simply as either the normal effects of weathering or simply purple micaceous shale bands in the deltaic series. Workers should have been more careful in their compilation of facts before attempting to create an unconformity for which no valid evidence is given.

There is a break in deposition accompanied by erosion underneath all the conglomerate beds of the pulsatory units and one can perhaps expect the base of the coarse conglomerate to represent a bigger break than normal. But until more details are available of the nature of the beds underlying this coarse conglomerate, of which only a few thousand square yards are exposed on this coast, it would be folly to assume any kind of unconformity. At the present it is clear that the nature of these underlying beds appears to be in every way similar to those above the coarse conglomerate, thus there is at least one unit beneath it demarcated by a fine conglomerate at its base.

It is interesting to note that Williams (1943, pp. 95, 102, 105, 106) and Davis (1952, pp. 17, 23, and 28 twice) contend in four instances that the pebbles in this coarse conglomerate are derived from the Tolo Channel formation, particularly the basal volcanics. They are said to consist mainly of ". . . white quartz and light grey quartzite, quartz-porphry, chert, argillite, etc." This contention

would be very difficult to prove, as Heanley noted in 1923 (p. 85) the pebbles ". . . consist of well rounded, milk-white pebbles of vein quartz . . . occasionally with pebbles of a shaly material," and Davis (1952, pp. 88-89) states that "The Pat Sin formation . . . consists mainly of quartz pebbles embedded in a grit matrix. . . . The absence of other rocks in the conglomerate indicates deep weathering of the ancient land mass which was in a state of maturity." A photograph in Davis' book (1952, facing p. 16) purports to show Pat Sin sedimentary beds near Lam Tsuen, with ripple marks and current bedding. The section photographed is clearly a recent deposit in a stream cut. It shows no ripple marks, and contains pebble of not only pre-Pat Sin rocks but also of the later formations as well. Recent work confirms Heanley's observations. To date the writer has not found quartz-porphry or volcanic pebbles in this conglomerate. In conclusion it would seem logical, in the present state of our knowledge, to refer both to the Pat Sin and the Tolo Channel formations as just conformable series of deltaic, and perhaps partly estuarine "sediments".

These sediments are invaded by "sills" in a number of localities. Apart from the "felsite" at the ammonite locality, other felsites were noted at 682226 and in other places along the south coast of Plover Cove. They are a few feet wide and strike at about ENE, and are only slightly transgressive. Owing to their very deep weathering the only specimens obtained showed a mass of decomposed felspar and secondary clay minerals in thin section.

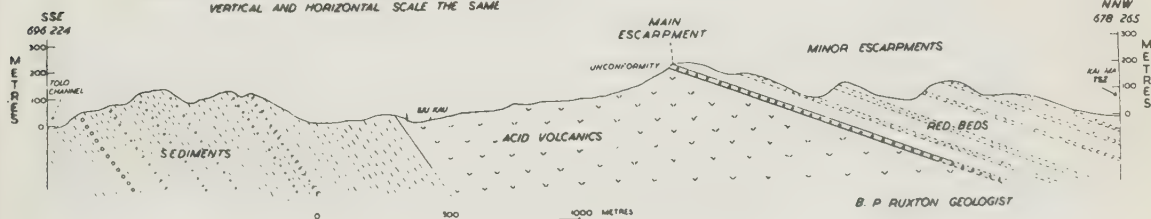
The upper limits of the sediments is best seen at 682234 on the coast west of the headland, WSW of Siu Kau. Here sediments have a sharp conformable contact with the overlying acid volcanics. On the hillside to the east of the area around 704241 the volcanics are seen apparently interbedding with the upper part of the sedimentary series. The contact, as drawn, has not been mapped in detail, but has been interpolated from three points obtained on the coast and from an examination of outcrops on the hillside at 694239, it runs in an ENE direction and follows the strike of the sediments.

The area of outcrop of the sedimentary series forms about one-third of the area shown on the map and apart from their contact with the volcanics to the north, they are bounded completely by the sea. They make up low hills of well rounded form with marked ridges and, occasionally, rocky tracts, due to the outcropping of conglomerate and quartzite beds. The nature of the beds and their "dips and strikes" determine completely not only the general form of the WSW trending arm of land between Plover Cove and Tolo Channel, but also the minor detail of the hill ridges and the coast.

## 2. Acid Volcanics

The acid volcanics form the central part of the area described, they lie conformably on the sediments in the south and underlie the Red Beds near the top of the scarp slope of the main east-west cuesta.

SECTION AT 347° FROM TOLO CHANNEL TO SOUTH EAST OF KAI MA TSZ  
VERTICAL AND HORIZONTAL SCALE THE SAME





They play an important part in the topography and apart from their significant occurrence on the middle and lower scarp face their softness probably accounts for the hollow of Plover Cove.

Specimens have been collected from many parts of this area, particularly from up the spur above Kam Chuk Pai to the unconformity, (673240—671246), and I have been fortunate in being able to examine the borehole core a little to the east of this at a height of some 710 feet O.D. (230 metres) which has been drilled to a depth of 300 feet. All the specimens collected appear to be rhyolitic welded tuffs, and a few rhyolitic lava flows.

Although they are weathered to a considerable depth all over the area, their texture is everywhere preserved. The main textural feature of these rocks is a marked streaky structure which is expressed in a sub-parallelism of small fragments which may be parallel to the bedding. These fragments are angular and disc-like in shape and the latter appear on planes of fracture as disc-like lenticular streaks, up to an inch in length. The fragments commonly weather out below the level of the surrounding rocks. In hand specimen they are very similar to the welded tuffs (ignimbrite and owharaite) figure in a recent article by Oliver (1954, Plate 12, facing p. 408). Oliver (1954, p. 408) states that:—

“... welded tuffs are considered to consist of volcanic fragmentary material which has been ejected at a temperature sufficiently high for the fragments to have retained a degree of plasticity and thus to be welded together where deposited. Commonly the hot fragments are considered to have been emitting a vapour during extrusion, forming a vapourous cushion round each fragment, facilitating flow of the fragmentary material as in the nuee ardente of Mont Pelee and in the Valley of Ten Thousand Smokes.”

These rocks round Plover Cove may be due partly to flow and the flattened fragments may show deformation due to the weight of the overlying material. The distinction between flow-banded lavas and welded tuffs is often impossible (Oliver, 1954, p. 408) and so it is not possible to be dogmatic about these rhyolitic volcanics.

The borehole core, drilled vertically at 674247, commencing from a height of 710 feet (230 metres) shows about 30 feet of slide material before solid volcanic rock is met. This is heavily weathered to a depth of some 115 feet from the surface (a perpendicular distance of some 80 feet from the surface slope) and then abruptly enters fresh rock. The weathered rock is usually pale cream or stone coloured due to the abundant secondary sericite and kaolin. The fresh rock shows abundant phenocrysts of vitreous quartz up to 3 mm. in long diameter, subordinate opaque white orthoclase up to 3 mm. in diameter, and minor plagioclase and biotite up to 2 mm. in diameter, in a green microcrystalline groundmass. Angular and deformed fragments of dense green material, usually without phenocrysts, occur scattered in the rock with their long and intermediate dimensions aligned in parallel planes. The rock shows distinct effervescence with dilute hydrochloric acid.

An examination under thin section showed phenocrysts of dominant corroded and angular alkali feldspar (with a negative 2 V of about 50) with a dusty appearance due apparently to alteration by kaolin and perhaps some haematite dust. A few stringers of calcite transect the phenocrysts in places. Minor subhedral plagioclase (oligoclase) showing pronounced alteration to calcite; minor subhedral biotite often bent and broken encloses accessory iron ore (magnetite). The groundmass is cryptocrystalline showing faint lineation and flow with prominent replacement pools

of secondary quartz, orthoclase and calcite. One fragment seen in the slide appeared to be a silty mudstone with abundant angular quartz grains (about 0.05 mm. in diameter) with small masses of calcite in a brown cryptocrystalline groundmass.

On the geological map of 1936 a long easterly projecting tongue of Tai Mo Shan Porphyry is sandwiched between the Pat Sin Sediments shown forming the crest of the cuesta and the Rocky Harbour Volcanics shown bordering the coast in the area to the north of Plover Cove. Williams (1945, p. 99) states: “Near Wang Chung on Plover Cove, an inlet from Tolo Channel, a roof pendant of the Pat Sin Formation occurs in the Tai Mo Shan Porphyry.” Davis (1952, p. 36) states: “Near Wang Ling on Plover Cove, an inlet from Tolo Channel, a roof pendant of the Pat Sin Formation occurs in the Tai Mo Shan Porphyry.” From the descriptions of the Tai Mo Shan Porphyry (Williams, 1945, pp. 98-101: repeated Davis, 1952, pp. 36-39) one is informed of numerous roof pendants enclosed in it, of the occurrence of a granitic phase at Ting Kau or Ting Kan, then one observes that this porphyry is shown outcropping over tens of square miles on hills and in dales on the geological map of 1936, and also as masses of batholithic dimensions on three geological sections drawn by Davis (1952, End Piece). From this mass of evidence one concludes that it must be a batholith. Indeed Davis (1949, p. 40), states: “The Tai Mo Shan Porphyry was formed at or towards the end of the period of volcanic eruptions and was infused into the overlying beds of the Repulse Bay Formation as a batholithic intrusion.”

However, Williams (1945, p. 99: repeated Davis, 1952, p. 36) states: “On Hongkong Island, the porphyry occurs principally as dykes and sills in the Repulse Bay formation.” Davis (1952, p. 7) also states: “The form of the intrusion (Tai Mo Shan Porphyry) is that of sills or dykes which have been intruded parallel to the bedding planes of the sedimentaries and the tuffs;” and yet his own sections (1952, End Piece) show clearly cross-cutting contacts on a large scale. On page 89 a different picture is presented. Davis states: “The intrusion of the Tai Mo Shan Porphyry took place at this time together with great masses of igneous rocks in the form of sills, dykes and small batholiths.”

Even now we have not completed the full descriptions given. Williams (1945, p. 99: repeated verbatim by Davis, 1952, p. 37) states “The composition places the rock in a position intermediate between that of rhyolites and that of the dacites and latites, and this is in agreement with the mineralogical composition as will be seen from the following description” etc. Thus the reader is left with complete freedom of choice between a batholith, a minor intrusion or even extrusive.

It is no wonder that on the strength of the occurrence of Tai Mo Shan Porphyry in the area, that “experts” prophesied that a large contact magnetite ore body would occur in the Plover Cove area, similar to the skarn iron ore at Ma On Shan described by Weld in 1914.

The coastal fringe of the Rocky Harbour Volcanics around the north of Plover Cove is only one of the many peculiar features of the geological map of 1936. Presumably they must rest on the Tai Mo Shan Porphyry with marked unconformity and presumably the same relation must hold with the Pat Sin Sediments to the south. A problem arises, however, when it is seen that they are lying right at the bottom of a large topographic depression, and to explain this there is either a well marked syncline “holding down” some of these acid volcanics, and this would mean appreciable post-Miocene (?) folding, or the volcanics have been faulted down on one or both sides. This problem is dealt



with by Williams (1943, pp. 105-106: repeated Davis, 1952, p. 28 with alterations):—

"The basal contact of the formation (Pat Sin) north of Tolo Channel is in general with the Tai Mo Shan quartz porphyry sills which have in part raised the massive conglomerate up from its original foundation. The Tai Mo Shan is clearly intrusive, and has not only cut the conglomerate and higher beds at numerous places, but has absorbed conglomerate, and silicified it so that over large areas near Chung Mi north of Plover Cove and elsewhere, the porphyry conglomerate contacts are transitional. Movements have taken place within the formation as a result of subsequent mountain building (probably both Jurassic and Laramide), and a well-defined, hinged fault extends for nearly a mile up the valley east of Siu Kau at the head of Plover Cove. Here the maximum displacement is at the west end, the movement being a vertical uplift on the north of about 200 metres (600 feet). At places within the basal conglomerate individual pebbles are sheared across, displaced about  $\frac{1}{2}$  inch and recemented."

Davis alters part of this paragraph as follows: "A well-defined hinged fault extends for nearly a mile up the valley east of Siu Kau at the western end of Plover Cove and it is here that the maximum displacement occurs." In other words, while trying to convince the reader that the basal conglomerate of the Mirs Bay Red Beds on the cuesta north of Plover Cove is the same as the Pat Sin basal conglomerate, Williams (and Davis) postulate an up-fault to the north of 200 metres near the contact of the volcanics and the sediments. To explain the problem of the position of the Rocky Harbour Volcanics a down-fault to the north is needed instead.

As to other areas of Rocky Harbour Volcanics, Williams is right when he states (1945, p. 115: repeated Davis, 1952, p. 66):—"On Hongkong Island near Aldrich Bay the Rocky Harbour Volcanics rest upon Hongkong granite." But, I have clear evidence of the intrusive relations of the granite to the volcanics in this area, not only are there many tongues of granite in the volcanics, but there is a clear aureole of contact metamorphism. Again, in the supposed type area of Rocky Harbour Volcanics on High Island, Town Island and Bluff Island, these rocks are in the form of a very large sill with magnificent columnar jointing, and are not lava flows at all.

Rocky Harbour dykes are shown cutting all the rocks in the Plover Cove area, and Williams (1945, p. 117) refers to their occurrence on Port Island. Davis (1952, p. 60, after Brock in Williams, 1948) states:

"Dykes of Rocky Harbour volcanics are common in Mirs Bay. Sometimes they are parallel to the bedding (sills) but more frequently cut across it. The sediments are usually disturbed and faulted by the dykes. If the dyke is a large one as on Port Island, there may be a transition zone between the type rocks caused by the dyke material replacing the matrix and the more digestible pebbles. Again it may affect the sediments nearby by its heat. The argillites in particular are apt to be baked to a terra-cotta-like material."

On Port Island I have shown that Mirs Bay Red Beds rest unconformably on a series of rhyolitic lava flows. Not only does this throw doubt on the existence of Rocky Harbour dykes, but it also shows that the contact of igneous with sedimentary rocks on Port Island is completely concordant.

We may conclude that the igneous rocks in this area are all part of one acid volcanic series and that there is now no evidence for the existence of the Rocky Harbour group of rocks. It is thought advisable to correlate them

with the "older" volcanics until evidence is found to show otherwise.

### 3. Red Beds

The Red Beds outcrop over nearly all the northern part of the area, and they are made up of a regular series of pulsatory rhythmic units of the following type:—

3. Red Shales	Top	} One Unit
2. Mottled Sandstones		
1. Coarse and fine red conglomerate	Base	

Each unit is about 100 feet thick and the thickness of the series is not less than 1000 feet. As yet little work has been done on the individual units and it is not clear whether the conglomerates are completely continuous across the whole area. However, the basal unit with its massive conglomerate some fifty to sixty feet thick, is definitely continuous, and the old, probably peneplained, land surface is usually overlain by a thin red shale a few feet thick and then the basal conglomerates.

This magnificent unconformity can be traced along the whole escarpment crest from the Pat Sin Range in the west to Bluff Head in the east, a distance of some ten miles. Along this cuesta the red beds invariably dip towards the north-east at angles varying from  $10^\circ$  to  $30^\circ$ , and it is the lower unit or units of the series that form the cliffs on the upper part of the scarp slope. On the dip slope to the north, line after line of minor and subdued escarpments can be seen as successively higher units break the surface. The whole complex system of rectangular drainage patterns show the complete equilibrium between the power of river erosion and the effective resistance of the different members of each pulsatory sedimentation unit. Further, in places the back of the escarpment has been broken into, and some streams, once having reached through the resistant basal conglomerates, are to be seen gouging out the now soft layers of the decomposing acid volcanics, forming great hollows in the hillsides.

A few large faults striking NNW-SSE are responsible for abrupt changes in height of the escarpment at certain points and also for some of the major topographical depressions in the area, however, the true nature of these faults will only be known when more detailed mapping is done.

The contact of the basal conglomerate and shale member with the underlying acid volcanics is of great interest. The volcanic series are reddened to a distance of up to fifty feet from the unconformity and in places they could easily be mistaken for sediments. Directly beneath the shale member, the top of the volcanic series shows some very peculiar features in places. In hand specimen it is a reddish brown friable rock and on examination with a hand lens has the appearance of a microbreccia. Under thin section abundant angular and sub-angular fragments of volcanic rock occur in a matrix of apparently comminuted volcanic rock and clay. A few of the fragments are largely composed of bleached and altered biotite. It would seem that this discontinuous top layer of the volcanics represents a "fossilised" sub-soil formed on the pre-red beds land-surface. The basal red shale has a sharp contact with the lower series and is apparently persistent all over the area, never more than a few feet thick. The basal red conglomerate contains a great variety of pebbles, ranging in size up to 2 feet in long diameter set in a matrix of coarse sandstone. The pebbles are well rounded and the dominantly derived from acid volcanic rocks, though quartzites, sandstones, shales and vein quartz pebbles are frequently present in fair quantity. The higher conglomerates are in every way



similar except that the pebbles are not normally above 9 inches in long diameter.

The red and cream sandstones are composed of rounded and sub-angular grains of quartz and weathered acid volcanic fragments in about equal proportions, and the red shales are composed of very finely divided quartz grains and clay minerals.

From this description it is clear that there are two mineralogical criteria that can be applied to distinguish between the older sediments and the red beds. The older sediments contain abundant detrital volcanic fragments, whereas the antithesis applies to the red beds. Factors such as colour, lustre, smell, structure, metamorphism, topography, and degree of induration are not decisive as distinguishing phenomena as previously thought, though some may be used as supporting evidence.

A glance at the geological map of 1936 will show this major cuesta capped by Mirs Bay Red Beds from Bluff Head to just NNE. of Tai Kau, from here westwards the western end of the Pat Sin Range, Pat Sin sediments are shown as the capping rock. Further, the two formations are shown in sinuous contact from this low col down to the sea in the north.

In 1943 Williams (pp. 108-109) gives excerpts from a manuscript by R. W. Brock, and Brock recognised the major features of the formation but made no comments on this "sinuous contact". These remarks are repeated by Davis (1952, pp. 57-65) who adds a large section (from Brock and Williams 1948) including criteria for distinguishing Pat Sin and Mirs Bay rocks. He says (p. 61): "The western boundary is not so satisfactory not only because of poor exposures, but mainly because the Pat Sin is weathered so as to resemble the Mirs Bay." Ten distinguishing criteria were put forward between Pat Sin sediments and Mirs Bay red beds. Number five states (1952, p. 62): "Sometimes there is a sufficient difference in the topography to distinguish between the formations. The Pat Sin furnishes higher and steeper escarpments, steeper dip-slopes, and narrower and more perfect box canyons and waterfalls." But the whole escarpment is capped by a continuous red bed series, and the whole long ridge is one major topographical unit. No amount of verbiage can alter the rocks of this escarpment and none nor all of the ten distinguishing criteria can help to prove a lateral change from red beds to deltaic sediments of different age along a completely continuous strike section. Heanley (1924, map facing p. 88) shows a continuous series of red beds from Bluff Head to the western edge of the Pat Sin Range, and it is clear that he realised the nature and extent of this formation.

### THE PROSPECT AREA

The prospect area covered some 516 acres on the north of Plover Cove around Kam Chuk Pai. The main escarpment runs from east to west across the area and that the northern portion is made up of red beds, while over the southern portion acid volcanics occur.

The section (appended) shows clearly the relationship between the two formations, the red beds dipping to the north, overlies the acid volcanics unconformably, and form the upper part of the steep scarp slope of the cuesta. The borehole is shown, sited at 674247, on the acid volcanics at a height of about 230 metres (710 feet), just below the unconformity. To the west of the borehole, on the next small spur, running NNW-SSE., a line of pits has been dug

to depths up to 50 feet, from about 50 feet up to about 750 feet above sea level.

Some five years ago, boulders of iron ore were found along the north coast of Plover Cove. The finder (not the present author) believed them to be magnetite, and thought they originated from the contact zone of the volcanics and the red beds, near the top of the ridge. A prospect was applied for and the original finder wrote a report on the iron ore deposit in the area. He mentioned a deposit of magnetite, containing 60% Fe., occurring as a mass 1000 yards long, 100 feet deep and 20 feet wide, and estimated a reserve of 800,000 tons. In all, he estimated a reserve of 1,000,000 tons if the smaller veins of the ore were taken into account. He mentioned the marked depression just above the step on the scarp slope, immediately under the crest of the ridge, and believed the boulders of iron ore to have originated from this feature, though he also states that the iron ore was a differential fraction of the Tertiary volcanics.

Some months later another "geological expert" visited the area for one day with a magnetometer and a dip needle, and after his report a prospecting licence was issued. Using the information of the geological map of 1936 he thought that the ore was deposited at the supposed contact between the Rocky Harbour Volcanics and the Tai Mo Shan Porphyry, at a height of about 100 metres (310 feet) O.D., to the north-west of Kam Chuk Pai, at 672243. He recommended the digging of pits or sinking of boreholes on the spur to the west of Kam Chuk Pai from sea level to a height of some 100 metres (310 feet), and later the continuation of these diggings up to 240 metres (740 feet). This expert did not disagree with the former estimate of 1,000,000 tons, and supports the statement of a large deposit of magnetite in the area.

Recently a third "expert" was called in to effect a dip needle survey. He found deviations of 1° in the dip of the needle around the area of the borehole, in a strip 80 yards north to the south, up the spur at 674246, and some 20 yards wide. He believed that the iron ore had been "generated" by the Tai Mo Shan Porphyry sill near its contact with the Red Beds and proposed the sinking of a borehole at the present site.

I first visited the area in April, 1955, and after only two hours was quite surprised by my findings. Not only did there not appear to be any magnetite in the area, but also the rocks from the shore up to the unconformity were all acid volcanics, mainly welded tuffs with some evidence of a few thin flows. Furthermore, all the pits had been dug in the "slump, slide and fall" material of a large landslide, which has moved with a back rotational movement of some 150 feet, forming the small spur. None of the pits below 200 metres (610 feet) reached bedrock. An examination of the few boulders on the beach showed merely some replacement of the members of the red beds and acid volcanics by secondary haematite and limonite, and previous reports of magnetic ore deposits at 150 metres (460 feet) and near the top of the ridge were found to be completely erroneous.

Examination of the unconformity and crest-line of the cuesta showed an extremely acid top-soil, covering leached red beds, and the deposition of small quantities of the iron as hydrated oxide in cracks, fissures, slip and slump planes, and, sometimes, as replacement masses in the lower red beds and acid volcanics. The coarser grades of the red beds are bleached to a cream or buff colour by the leaching, to a depth possibly up to 50 feet from the surface. Thus the occurrence of iron ore in the few boulders on the beach and also on the slopes of the scarp can be shown to be due



dominantly to the leaching of the iron oxide from the capping of red beds, and its deposition at lower levels—a normal process of weathering.

This may not account for all the iron ore in the area, as specimens said to have come from this prospect have been analysed and one shows a definite content of magnetite. The early samples, all assumed to be magnetite, were not tested for ferrous oxide content and so their nature cannot now be ascertained. Their iron content varied from 54.5 to 63.2 per cent.

However, a recent partial analysis of an unlabelled specimen, said to have been found in one of the pits shows:—

	Weight %
FeO .....	14.11
Fe <sub>2</sub> O <sub>3</sub> .....	47.43
SiO <sub>2</sub> .....	10.07
H <sub>2</sub> O .....	N.D.
	<hr/> 71.61

From this one can calculate a content of about 58½% magnetite and 27½% haematite (assuming water to be absent). Macroscopic tests confirmed this as being a mixture of mainly magnetite and haematite.

Recent work has shown the presence of a few iron ore boulders containing some magnetite along the northern shore of Tolo Channel from 660204 to 680217. Again, on the southern shore of Plover Cove, from 657210 to 670222 there are quite a few large iron ore boulders (up to 6 x 4 x 3 ft.) containing some magnetite. These occur partly associated with quartz veins and small faults which carry some iron ore, and partly with some of the silty and shaly bands of the Pat Sin Sediments. From the evidence of continuous traverses right along all the coastline in this area, the concentration of iron ore boulders is relatively far greater between 657210 and 670222 on the southern shore of Plover Cove, than in any other part of the area. The prospect area was chosen around Kam Chuk Pai because the first small boulders were found there and presumably because a report was made on the richness of the contact zone in iron ore.

From the evidence I have seen there is no likelihood of any, even small, deposits of iron ore being found on the prospect area, and though a small deposit may occur on the ENE-WSW arm of land stretching out between Plover Cove and Tolo Channel, it is unlikely to be of a size sufficient for economic exploitation. It is worth noting that I have seen many boulders of iron ore on coastlines elsewhere in the Colony, in places where the "older sedimentaries" outcrop.

### CONCLUSION

A preliminary geological survey in the Plover Cove area has established a completely new succession as follows:—

3. RED BEDS
- MAJOR UNCONFORMITY
2. ACID VOLCANICS
1. OLDER SEDIMENTARIES

Immediately above the plane of the unconformity a thin red shale member is everywhere overlain by a thick basal conglomerate, some 60 feet thick, which forms the capping

rock of a steep scarp slope of a dominant southward facing cuesta. Below the unconformity a thick series of acid volcanics overlies, apparently conformably, a thick series of sediments.

The new geological map drawn for the area (Ruxton, B.P. Int. Geol. Cong. 1956) brings out a clear relation between the geology and the topography, and the occurrence of numerous landslips along the scarp slopes is a feature previously not described.

Boulders of iron ore, found on the beach at Kam Chuk Pai, were previously thought to indicate the presence of a large contact ore deposit of magnetite in the area. It is now shown that this conclusion cannot be supported by the geological evidence, and any occurrence of iron ore in the area is most unlikely to be of a size sufficient for economic exploitation.

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## SOLUTION OF KWANGSI PROBLEM

Kwangsi leaders proved to be a very able and formidable group under the Nationalists and some of them became national celebrities. Three or four of them still have much influence behind the scenes in Peking because of their personal qualities and reputation. The fact that the one major member of the Kwangsi clique who stayed with the Nationalists finally broke with them and retired to the United States, did nothing to diminish the influence of the Kwangsi leaders in Peking. They supported the excellent solution of the Kwangsi problem which is of great importance for all China. Exactly what caused this problem to be considered by the Party Central Committee in Peking is not clear but probably there was growing unrest in Kwangsi.

At any rate the issue was remitted by the Centre to the Kwangsi Party Provincial Committee on the basis of two plans. One called for the complete transformation of the province into the Chuang Nationality Autonomous Region, and this was called the "merger plan," since the Communists had already divided the province into two parts, one of which consisted of the Chuang autonomous chou. The second plan called for the division of the province into two portions, that is to say, Kwangsi province would be retained and assume jurisdiction over the eastern part of the province, taking up about 30 per cent of the present area; the western part of the province—where the Chuang people live, comprising about 70 per cent of the present area, is to be taken out and made into the Chuang Nationality autonomous region. This was referred to as the "separation plan."

The debate went on for some time and was rather heated. The Chinese both inside and outside the country who were of a nationalist turn of mind were horrified at the idea of putting the Han under the Chuang—for all these minority peoples were rather looked down upon by the Chinese proper, the Han; and some of the Kuomintang papers in Hongkong grew very hot under the collar about it. But the wealth of Kwangsi lies in the Chuang region, and as they live in a mountainous and sometimes almost inaccessible region because of the absolute lack of communications, the cooperation of the Chuang was essential for development. As the Vice-Governor Chen Tsai-lin put it, "the rich mineral deposits, forestry resources, and undeveloped land in Kwangsi are mainly in the western portion. The railway, highway, and navigation systems of Kwangsi all form a single entity. If the area is divided up, the development of both the eastern and western portions will be restricted."

Liang Shu-min, a member of the CPPCC National Committee (who is presumably the famous philosopher of that name) supported the merger plan, saying that "merger means 'undivided,' and undivided constitutes the essence of Chinese culture. The spirit of mutual concessions is expressed in the words: 'Once there is rivalry, both parties suffer. Once both parties make concessions, both are benefited.' We now live in the big family of many nationalities who love one another, and we must embrace such a spirit." He added, however, with a nervous look over his shoulder, that the question must be handled after repeated consultations under the leadership of the Chinese Communist Party.

This large-minded view was backed by the Vice-Chairman of the Kwangsi CPPCC, who pointed out that the Han ancestors in Kwangsi originally came as garrison soldiers from the Chingchow prefecture of Shantung during the Sung Dynasty and had since then lived in Nanping. This showed that in history there existed the oppression of na-

tionalties, but though some people did not agree with the suggestion of "repayment of a debt," he thought the question could be taken up as suggested. All the Vice-Governors of Kwangsi seemed to favour the merger plan and some of the Party and the Provincial CPPCC were very positive in their support of the merger idea. One of the most vital contributions came from the senior Elder Statesman of the Kwangsi Group, the former Marshal Li Chi-shen, ex-Governor of the two Kwangs, who supported the merger plan and declared that the fears and feelings of the Han nationality were unnecessary. The issue should be raised to the supreme principle of building socialism, and a solution would then be easy. Representatives of the Chuang, Tung and Yao minorities all supported the merger plan.

Nevertheless the debate underwent many oscillations, for Kwangsi as a Province had existed for more than six centuries and the Han nationality made up most of the population. They do not as a rule "stoop to conquer." But it was agreed that relations had always been harmonious in Kwangsi (which had shown cohesion and unity when other provinces were split in the civil wars) and that this reputation would best be maintained by a merger and not by a separation. There were concrete questions that would have to be settled under the merger plan. For example, it was suggested that deputies to people's congresses should represent the majority community in each locality and the Han and Chuang languages should be adopted in the areas where they are severally representative of the majority body, while both languages may be used in schools with large numbers of students of both nationalities, and the Chuangs should study Chinese when reaching a higher level to facilitate their acceptance of the cultural heritage of the Han and modern science and culture.

The most emphatic and decisive influence was the speech of the Prime Minister, though it came as a summing-up speech after agreement had virtually been reached, at least on the major principles. He referred to the way in which minority nationalities had been driven into the frontier areas by the expansion of the Han and to the fact that this had restricted the development of these minorities. Now the Han nationality is in a position of superiority in the whole country, and so they must give more thought for the minorities, and it was not right to stress the national feelings of the Han people. "Ordinarily we always talk about our country's extensive area, rich resources, and large population." Both the extensive areas and the rich resources apply to the minority areas, and the Han people may claim credit only for the large population. The future development of industry, the expansion of agriculture, will chiefly be carried out over the minority areas. From the point of view of the country as a whole, merger benefits both and division harms both, and this also applies to the Kwangsi Province.

"The theory of repaying a debt to the minority nationalities is tenable. In China's history there existed factually Pan-Han-ism. The Han nationality occupied the position of superiority and it developed. The minority nationalities occupied the position of inferiority, and could not develop easily and were moreover often subjected to oppression. So the debt must be repaid, and the Han nationality should assist the minority nationalities in common development. If we do not call this the repayment of a debt we may refer to it as the tendering of an apology. . . . We must first criticise Pan-Han-ism if we are to rouse the minority nationalities consciously to criticise local national-



## EMASCULATION OF CHINESE TRADE UNIONS

The emasculation of the Trade Unions in the Soviet Union is an old story, and now there are complaints about the lowly position of the trade unions in China. The cadres belonging to these bodies, it is said, have "lost much of their guts" since the 7th National Congress of the Trade Unions, when they appeared militant enough. The leadership emphasises its identity with the administration but never mentions the contradictions between the trade unions and the administration. It emphasises acceptance of the Party leadership but does not make it clear that the unions have a unique part to play in representing the masses. The trade union cadres in general, who possess only a low policy level, dare not make decisions lest they should be accused

of syndicalism, economism and tailism. No one backs them up against any such accusations. Besides the cadres themselves are arbitrarily transferred and appointed by the higher body or even by other bodies. As the old saying goes, "a mud idol cannot save itself when crossing a river"; how dare the cadres fight for proper demands in behalf of the workers?

The topic was ventilated as a result of the publication in the Peking People's Daily of a Hsinhua correspondent's despatch who described a 2,500-mile tour of "hurried observation" by a deputy head of the All-China Federation of Trade Unions' General Office, accompanied by a responsible member of the Central Government. Ten cities were inspected along the railways from Peking to Hankow and Canton. He tells of the complaints of the miners at the Fengfeng mines near Canton, who said the trade union officials were hand in glove with the administration and did nothing for them. In Canton, Changsha, Wuhan, Hsinhsiang and Shihchiachwang the trade unions were dubbed "the tongues of the bureaucracy, the tails of the administration, and the workers' control department." The trade unions there had "lost" the masses. The trade unions had looked in vain for an instance in which a trade union official had "knocked their heads against the wall" in their fight for the legitimate interests of the workers. They did in some places show concern about the problem of living quarters for the workers. None of the amenities of the cities were available in most of these places, from school to bathhouses and barber-shops. Clearly too many had entered the Communist society ahead of schedule!

ism. In our country the Han nationality has more people and less land, while the minority nationalities have less people and more land. This disparity is a special characteristic and calls for the creation of some examples to make the minority nationalities feel that the Han people are willing to co-operate with them. In this connection, the incorporation of Suiyuan into the Inner Mongolia Autonomous Region is a good example; the same should be done in Kwangsi." (Actually this brought the large Chinese population of Suiyuan province into a position of control in Inner Mongolia by reason of their superior numbers and voting power).

Finally, Premier Chou En-lai pointed out that the establishment of the Chuang Region is a big event and had been discussed so far only among the upper strata. That was not sufficient: it must be brought before the masses of all nationalities in Kwangsi and in the local as well as the provincial bodies. The exact name of the region could be discussed later on, but there was general support for the Premier's ideas, and the Provincial Party Committee, after full discussion unanimously expressed support for the proposal on May 11. Next to the Premier's speech, one of the most important factors in the debate was the long memorandum drawn up by Li Wei-han, director of the United Front Department of the Central Committee of the CCP, in which many viewpoints and opinions were collected together to provide valuable reference matter for further discussion. This Memo amounts to some nine or ten thousand words and is a striking expose of the basic policy toward the minorities on which the Central Committee has evidently decided.

An article in the Kwangsi Jih Pao lauds the part played by the Chuang people in the Taiping Rebellion, and pays tribute to their ceaseless struggle throughout the two thousand years since they were driven into the Kwangsi mountains against oppression and even in the second revolutionary struggle which finally led to the establishment of the present regime and the overthrow of the Kuomintang. The Chuang nationality possesses a long-established national culture and a rich store of folk art. Their "hill songs," for instance, have had far-reaching influence. The singers eulogise labour, love and resistance to oppression, "filling themselves with the breath of vitality." They are evidently a proud and talented folk who, driven in upon themselves, have created their own way of life and art with many exceptional qualities. Clearly they are most desirable as friends and collaborators and, on the contrary, could be deadly as foes in view of their traditions and their mountain strongholds. It seems pretty clear that a lot more will be heard in the coming years of these people now that they are emerging from long isolation.

In Canton many of the trade union cadres regarded themselves as "Class IV Cadres," the Party cadres coming first, Government second, engineers third and trade union cadres fourth. "Such a phenomenon of self-contempt was seen in other cities also," while nobody under Class III could have good houses and cars. There were also some pretty scathing revelations about working conditions, notably in Canton, where a kind of extra shift system based on concentrated work and concentrated rest was introduced in Canton harbour. Each workman was required to work eight hours, rest eight hours, and work again eight hours a day: that is to say, a total of 16 hours a day, with a rest after two days. Men handling heavy loads complained of being over-tired, while others complained that they had no sooner taken to bed than they had to get up to make their way to the job. Many who did not become ill from overwork became too weak to carry loads, and as their piecework earnings fell below the sick leave pay, they went sick to the extent of 60 per cent. The trade union cadres put up no fight about these conditions but helped devise ways and means to compel the workers to obey. The cadres did help with club amenities but paid no attention to political indoctrination.

A whole group of Shanghai trade union officials took part in the discussion of this effusion and generally agreed with the diagnosis. Some of them wrote a limerick saying: "Crestfallen inside trade unions; exhilarated outside trade unions."

But the Shanghai cadres did not agree on the cause of all this. They admitted that some trade unions were following the State line and currying favour with the State but not all of them. Many of the trade union cadres at the lower levels are encountering considerable resistance in following the mass line and some even accused them of unprincipled compromise with the masses. They bind the



## PROGRESS OF CHINESE PETROLEUM CORPORATION

Ten years of progressive management, assisted by private loans and foreign economic aid, have rebuilt a bombed-out Japanese refinery into the US\$30 million Chinese Petroleum Corporation (CPC) on Taiwan. Present plans call for immediate realization of a daily capacity of 30,000 barrels, more than four times the 1947 figure. In 1958, aviation gasoline will be produced for the first time and sold under a contract with Caltex International, Ltd.

Total sales of all products in 1956 were approximately NT\$450 million. This covered motor gasoline, kerosene, jet fuel, bunkering, asphalt, and solvents. Since practically no crude oil is produced on Taiwan, the corporation processed about US\$8 million of Middle East crude oil for civilian consumption. Crude oil purchases in the past have been made from the Middle East Crude Oil Company, Gulf and Mobil Overseas companies. An undisclosed amount of crude was processed for military use, both for Chinese and U.S. forces stationed on the island. NT\$150 million was collected as government excise tax, and more than NT\$36 million was furnished in aid to the Highway Bureau for road building and maintenance. Corporate income tax was NT\$30 million. Foreign exchange earnings of US\$2 million were turned into the government foreign exchange agency, and all approved foreign exchange requirements were allocated to the Corporation as needed.

Hands and feet of the trade union cadres with regulations, systems, and the habitual administrative means, hindering them from following the mass line to solve the problems of the workers. In the Shanghai Shipyard the trade union cadres did try to help the workers who had low wages and numerous children, but got no help from others. These Shanghai trade union cadres seemed to be significantly on the side of the workers and to be very bitter against the habits of the higher officials of the State if not of the Party, and it was they who complained that too many trade union cadres had lost their courage in the new set-up. At the same time they resented the peripatetic Peking official's charge that they were tools of the administration.

There was in fact quite a lot of correspondence on this topic in the Peking Daily Worker, and not a few of the trade union cadres were critical of their Peking comrade, even on the housing problem, holding that it was fair and correct to deduct money in repayment of loans for housing. The position of the trade union cadres, between the workers and the demands of the managers and the Party, is undoubtedly difficult and actual instances are cited of these embarrassments. But this subject was thoroughly discussed like most of the other controversies under the "let all schools contend" policy, and this open discussion is likely to do more good than harm. One important point was that the local leadership and even some Party organizations have come to regard the trade unions as their stooges and to require them to subordinate themselves to the administration. Many of the trade union officials are distressed about the position, and one of them bitterly complained that when he did try to do his job in the interests of the workers he was regarded as a trouble-making Party member. He said it surely could not be regarded as a rational phenomenon that the position of the trade unions and trade union workers is shown no respect by others, and hoped that this problem will be properly solved at the forthcoming 8th National Congress of the Chinese Trade Unions, which evidently promises to be much less formal than usual.

The Kaohsiung refinery is actually located at Tsoying, a few miles from the port. Here the Corporation employs a staff of 250 operators and 40 refinery and chemical engineers who operate three crude oil distillation units, one thermal cracking unit, one catalytic reforming unit, one dewaxing unit, one chemical treating plant, laboratory, tankage, pipeline facilities, repair and engineering shops and the new Thermoform Catalytic Cracking Unit (TCC).

Ultimately, production of aviation gasoline is dependent upon the completion of a new alkylation unit which will require about US\$1.5 million and NT\$8 million. Operation of this unit will probably not start until late 1958 or early 1959. However, arrangements have been made for Caltex to ship alkylate to CPC in 1958 sufficient to produce 200,000 barrels of aviation gas. Between 30 and 40 percent of the eventual 400,000 barrel aviation gas annual production will be developed from waste hydrocarbons. Propane and butane, presently wasted, will be used in the new alkylation process. Alkylates will then be blended with the products of the present equipment into aviation gas of the required octane ratings.

Just as the new alkylation unit will be financed in part in foreign currency loans by a foreign oil corporation and certain Chinese banks, so have been many of the improvements in the past. The TCC unit, engineered by Fluor Corporation, a United States firm, required US\$2.5 million, financed by similar foreign currency loans, and NT\$11 million, derived from counterpart funds. Foreign companies who have made loan commitments to CPC are Gulf Oil Corporation and Middle East Crude Oil Sales Company. The balance of improvements has been financed through depreciation charges. Since CPC is 100 percent government owned, earnings have been rather substantially drained off to meet government fiscal requirements. Currently CPC, along with certain other government corporations, hopes to have a reappraisal of fixed assets, with a view to putting depreciation charges on a realistic basis, which should provide additional finances for the benefit of the corporation's productive capacity. This reappraisal program is meeting opposition on the grounds that it probably would reduce the government's "take" over the short term.

The future of CPC is naturally bound up with the political and military future of Taiwan. However, Mr. King Kai-ying, General Manager, feels that the corporation must be prepared to process civilian crude oil purchases of US\$10 million annually within five to seven years. He also believes that transportation requirements will force abandonment of the present ceiling on motor vehicles licensing, and that the rationing system is encouraging diversion of gasoline supplies to the black market. Any gains in production of motor gasoline will also increase the amount of kerosene and jet aircraft fuel, both in short supply. In fact, the present civilian price of kerosene, more than NT\$9 per gallon, represents an attempt to reduce the consumption of kerosene in favor of jet aircraft fuel.

CPC has met all of its loan repayment obligations. This has been true of other government corporations as well, a fact which Finance Minister Hsu Po-yuan emphasized in his summary of 1956 Foreign Exchange and Trade Operations (Far Eastern Economic Review, 30 May, 1957). Since the future American economic aid program is to be based largely on loans, rather than grants, the great progress by CPC in utilizing the loan method may be an encouraging example to industries in all Far Eastern areas where American aid is proffered.

— Charles H. Barber



## HONGKONG'S TRADE DURING FIRST HALF 1957

Development of HK's trade during first six months this year confirmed the outlook given in March 14th issue of the FAR EASTERN ECONOMIC REVIEW on page 346. Imports from China were steady and heavy in foodstuffs but irregular and curtailed in popular staples and light industrial products. From the local market, China bought metals and other supplies whenever prices here were depressed by selling pressure. Demand from Japan, UK, Europe, Canada, Australia and other buyers for feathers, beans, vegetable oils, oil seeds and other staples was chiefly met with supply from SE Asia; many orders were also concluded for direct shipments from China to Europe and Japan. Demand from SE Asia, Korea and Taiwan for metals, paper, chemicals, pharmaceuticals, etc. remained strong while reexports of Japanese and Chinese products to SE Asia declined. Export of HK products to US, UK, Canada, Africa and Australia improved but the gain was not substantial enough to offset the drop in shipments to Indonesia, Malaya and Thailand.

Consequently, total export during January/June 1957 at \$1,759.9 million was \$163 m less than same period last year; export of HK products registered a corresponding decline of \$7 m (\$405.4 m down to \$398.4 m). Imports during first six months this year totalled \$2,882.9 m representing an increase of \$287 m over corresponding period 1956. The rise was brought about by (1) the arrival of metals and other merchandise from Europe and UK which should have reached here last year but delayed by Suez blockade, (2) the rush of consignments by US, UK, European and other western manufacturers to HK before the May 1st freight hike, and (3) the unexpected arrival, during May and June after re-opening of Suez Canal, of shipments originally scheduled for second half 1957.

The most important trade news was UK's relaxation of embargo on trade with China followed by most Chincom\* countries towards end of May. But it was an anticlimax after UK and Japan had been shipping through the exceptions procedure many embargoed items since mid-1956. Improvement in China's purchase from HK, Japan, UK and the West will depend on Peking's success in its agricultural programmes which have been frustrated by natural calamities in China last year and during the past 7 months. Keen competition among UK, Japan and West Germany and other countries in trading with China will enable Peking to get many essential supplies and equipment at very low cost. Indirectly, therefore the ease of embargo will help Peking to speed up her industrialisation projects.

The resumption of Suez traffic and the removal of surcharge on freight did not bring down cost of replenishments from UK and Europe because basic freight rates for cargo to and from almost all destinations were hiked on May 1st. With the exception of round bars, commodity prices were firm in the local market; increased cost pushed quotations up particularly of those items which were short in stock but on the other hand, low buying offers and uncertain demand from various sources discouraged speculative hoarding and prevented prices from sharp rises.

### TRADE WITH CHINA

China remained the No. 1 supplier of HK sending here \$572.6 million worth of goods during the period compared with \$514.6 m in first half 1956. Exports to Canton, Shanghai, Tientsin and other Chinese ports totalled only \$63 m leaving a huge surplus of \$509.5 m to Peking:

	Import from China (in million HK\$)	Export to China (in million HK\$)
Jan./June 1956 .....	514.6	52.8
Jan./June 1957 .....	572.6	63.1

Foodstuffs constituted the major portion of imports from China. In spite of the shortage of meat, poultry, live hogs, vegetables, rice, eggs, fruits, groundnut oil, lard and sundry provisions on the Mainland, large quantities of these items reached here regularly. By manipulating the flow of supply to the local market, Peking managed to hike prices for most foodstuffs. On the other hand, dealers here could not get enough supply of popular staples and light industrial products from China. A large portion of the business concluded at Canton Trade Fair (April/May) covered woodoil, egg products, bitter almond, raw silk, feathers, hog casing and other produce sold to European buyers' HK agents for direct shipments to Europe. China also shipped substantial quantities of paper and cement direct to Singapore and other SE Asian countries at extremely low prices while at the same time bought large supplies of cement from Japan and paper from Europe to meet its domestic demand. HK dealers who went to the exhibition in Canton obtained only small lots of beans, paper, nails and cement; many came back disappointed because they were offered odd items such as piano, electric fan, lighters, machinery and other merchandise which were slightly cheaper than similar Japanese products but much inferior in quality and therefore unpopular in the local market.

Exports to China improved by \$10 m chiefly on account of Peking's increased purchase of metals from here when prices were depressed by heavy supply in the local market. There were also orders for antibiotics, vitamin powders and other patent medicines and fine chemicals but low buying offers from Canton and Shanghai restricted the volume of trade. Many orders were for forward cargo direct from UK and Europe to China placed through manufacturers' local agents and therefore did not affect the local market. Other irregular procurements from HK included 3,000 tons of sugar and several sets of air-conditioning plant and X-ray equipment. There was no order for passenger cars.

**Expansion of Trade with China**—HK industrialists believe that the ease of embargo will handicap growth of HK industries because China must increase export of industrial products to SE Asia in order to earn more foreign exchange for buying supplies and equipment from the West. China traders here hope that Peking will send more staples and other products to the local market in spite of the increasing volume of China's direct trade with the West and SE Asia. Local agents of UK, European and Japanese manufacturers expect to handle more orders from Peking for shipments direct to China without passing through HK. The outcome remains to be seen; but it will be too naive to expect that the relaxation or even the total lifting of embargo can reactivate HK/China trade to pre-embargo level.

Meanwhile, the race among UK, European and Japanese businessmen for the China market has begun. Peking claims that in addition to numerous offers from UK to supply China with equipment and goods formerly on the embargo list, there are similar quotations from West Germany, France and Japan. Japan will soon negotiate the renewal of its trade agreements with China and a French trade mission will visit China before a similar delegation from UK could reach Peking. It seems that UK businessmen may not be able to increase exports to China by 400% as some trade experts in London had predicted.

\* Chincom—the 15-nation committee that governs the allied embargo on trade with China.



Another point which optimistic traders seem to have overlooked is that although Peking has at present a large sterling reserve accumulated during the past few years, her purchasing power in the future will depend upon the volume of agricultural products available for export to the West after shipments to USSR and its European satellites. Peking's estimate for 1957 foreign trade at 9,955 million yuan is 8.4% less than that for 1956. Import budget has been cut to 4,755 m yuan because China will be able to export only 5,200 m yuan this year. According to Peking's current foreign trade policy export of minerals and industrial products will gradually increase but export of agricultural products will drop; import of certain kinds of raw materials and consumer goods will rise while import of machinery will decline. On the curtailment of machinery imports, Peking boasted that China's machine-building industry could already supply 60% of all the equipment required for its industrial projects. It is also understood that the bulk of heavy machinery and equipment for China's major projects will come from USSR. Peking however may divert part of its purchases from East Europe to UK, Japan, France and West Germany but the volume would not be very impressive because at present Peking is anxious to maintain socialist unity and consolidation with USSR's European satellites.

Nevertheless it would be a political blunder if Peking does not exploit the situation by increasing at least slightly and temporarily its purchases from UK and other countries which have eased the embargo. In the first place, many equipment and supplies are now much cheaper than when these items were bought through USSR and East Europe. Furthermore, increased purchases from Japan will facilitate the resumption of diplomatic relations between Peking and Tokyo. Consequently, China ordered 37 tons of rubber accelerator, 200 tons potassium cyanide, 8 tons fine enamel copper wire and 122 heavy trucks and some auto parts from UK; among these contracts, 27 tons of rubber accelerator and six 4½-ton trucks were concluded with HK agents of UK manufacturers. From Japanese businessmen who went to China, Peking ordered HK\$32 million worth of rayon yarn and, in addition, concluded HK\$20 m worth of contracts covering 2-way trade.

The volume of Japan/China trade will further increase after the renewal of the trade agreement formerly signed between Japanese businessmen and Peking officials. Commodities which Japan requires (coal, minerals, etc.) and wishes to export (paper, cement, cotton textiles, etc.) seem to fit right into the pattern of China's foreign trade. UK businessmen may ship more metals, tractors and other equipment to China while European exporters may sell more paper, fertilizer and industrial supplies to Peking but they will have to balance the trade with the purchase of canned food, frozen meat, Peking duck and other odd items which China may offer when there is not enough egg products, hog casing, oilseeds and other popular staples. This stage has not yet been reached and meanwhile Peking is making a noisy propaganda on its recent purchase of trucks and chemicals and boasting that trade with the West could be further improved if the embargo is totally lifted.

#### TRADE WITH JAPAN

Exports to Japan totalled \$170 m representing an increase of \$60.7 m over the corresponding 1956 record. The rise resulted chiefly from heavy shipments of metals covered by orders concluded last year and of substantial quantities of scraps purchased from here during first three months this year. Demand from Japan for China produce remained keen but supply from China was difficult to obtain: local dealers managed to meet the demand with oilseeds, beans

and other staples of SE Asian origin (Cambodian, Thai and Burmese). Consequently, Japan replaced UK as HK's No. 3 customer; but Japan would probably return to the fourth position by year-end because Tokyo has already curtailed imports for second half year in view of the trade deficit (with other countries) accumulated during the first six months. Japanese merchants are also contemplating to procure more produce direct from China in pending trade talks with Chinese officials. Meanwhile, Japan accumulated a surplus of \$210.6 m in its trade with HK during Jan./June 1957:

	Import from Japan (in million HK\$)	Export to Japan
Jan./June 1956 .....	507.6	109.4
Jan./June 1957 .....	380.7	170.1

Compared with 1956, imports were \$126.9 m less but Japan remained HK's number 2 supplier indicating that entrepot business in Japanese products was still active although demand from Indonesia and Thailand had deteriorated. There were sharp drops in sales of Japanese cotton textiles, woollen piecegoods, rayon products and sundries in the local market but Japanese cement, paper and electric appliances retained very strong local and export demand. As a matter of fact, reexports of Japanese paper and cement could have been heavier had there been more supply available in the local market.

There are indications that Indonesia may return to the local market for Japanese products during second half year but the volume of such purchase is not likely to return to the abnormal level reached during Jan./June 1956. Furthermore, reexport of Japanese goods is now handicapped by increased indents; many cif quotations from Japan are higher than prices in the local market.

#### TRADE WITH UK

Hongkong imported \$336.5 m worth of merchandise from UK during the period. This record is \$98 m better than same period last year. Exports to UK amounted to \$160.8 m leaving a surplus of \$175.7 m to London.

	Export to UK	Import from UK (HK\$ million)
Jan./June 1956 .....	143.6	238.5
Jan./June 1957 .....	160.8	336.5

Principal imports were metals, automobiles, cotton and woollen piecegoods, pharmaceuticals, chemicals, machinery and equipment particularly those for building construction and air conditioning. Local dealers slowed down the booking of supplies from UK during March hoping that cif quotations might be cheaper after resumption of Suez traffic; however before they could enjoy the full benefit of the lifting of Suez blockade, basic rates for freight were increased on May 1st. Imports from UK during second half year may be lower than during first six months particularly in the case of metals. Imports of automobiles averaging 250 units per month at present may increase towards year-end when late 1957 models hit the market and imports of woollen piecegoods will increase before the weather cools down. But these increases could not possibly offset the decline in metal shipments.

UK ranked the fourth on HK's list of customers. Purchases from here increased from \$143.6 m to \$160.8 m with HK manufactured goods constituting about 50% of the value. Improvement this year resulted chiefly from more orders for China produce because export of HK pro-

ducts rose from \$77 m to \$80 m only. Developments during the period show that more transactions in China produce will be concluded for forward direct shipments from China to UK which will neither stimulate the local market nor improve the volume of HK/UK or HK/China trade.

Improvement in the physical volume of export of HK manufactures is better than the increase in value (\$3 m) due to the fact that prices for most HK products were lower than 1956. Textiles, rubber shoes, gloves, plastic products, shirts remained principal items. Export of rubber shoes and gloves slightly declined but shipment of shirts improved and consignment of cotton textiles remained heavy in spite of repeated complaints from UK textile manufacturers who tried (but failed) to persuade HK manufacturers to limit the export of HK cloth to UK.

TRADE WITH EUROPE

Among European customers, West Germany was the number one buyer although its purchases from here declined from \$22 m to \$20 m. On the other hand, export of HK products to West Germany improved from \$1.4 m to \$2.4 m. The drop in total export to that destination was accountable by the fact that although demand from West Germany for egg products, feathers, woodoil and other staples was keen, there was not enough supply in the local market; consequently W. Germany approached China for direct shipments. Exports to Switzerland and France also declined slightly this year because stock of raw silk, rosin, vegetable oils, egg and animal products here was inadequate to meet the demand. With the exceptions of Belgium and Netherlands, exports of HK products to European countries were better than the first half 1956. Principal items were plastic products, rubber shoes, cotton textiles, torch, shirts, gloves, children's garments, embroideries. Export of these HK products to Europe may further increase but manufacturers here must improve their products to retain the demand. Many dealers here recently reported that increasing number of shipments to Europe had been rejected by buyers because consignments, particularly those of garments, gloves and shirts, were not up to sample standard.

Imports from various European countries were much higher than exports to these markets and Switzerland remained the number one European supplier sending here \$97.5 m worth of watches, textiles, etc. With the exception of Austria, European countries sent here more merchandise than during first half 1956:

Country	Import from		Export to	
	(in HK\$ million)			
	Jan./June 1957	Jan./June 1956	Jan./June 1957	Jan./June 1956
Switzerland ..	97.5	62.8	1.5	1.9
Belgium .....	83.4	54.7	7.3	5.9
West Germany ..	83.1	59.2	19.9	22.1
Netherlands ..	46.4	33.3	10.9	10.9
Italy .....	33.7	16.8	5.1	3.6
France .....	21.9	13.6	8.7	10.5
Sweden .....	15.8	11.0	4.9	3.1
Austria .....	8.6	11.6	0.1	0.03
Norway .....	7.7	2.3	4.2	2.5
Denmark .....	3.9	2.5	2.7	2.3
Eastern Europe ..	8.7	7.4	—	—
Europe, not specified ..	6.9	3.2	1.5	1.5
Europe Total ..	417.6	278.4	66.8	64.3

In addition to larger watch consignments from Switzerland, following imports increased: automobiles, pharmaceu-

ticals, cosmetics, metals and piecegoods from France; machinery and appliances, automobiles, scientific instruments, textiles, photo supplies and equipment from West Germany; steel sash bars and fertilizers from Belgium; automobiles, pharmaceuticals, synthetic fibres, woollen textiles and metals from Italy; dairy products from Netherlands; paper from Sweden and Norway; and beer from Denmark. Import of metals during second half year will be much lower but substantial quantities of other supplies will continue to reach the local market. Local dealers may book more paper from Europe to meet demand from Korea but high replenishment cost will restrict the volume of such indents.

TRADE WITH MALAYA

Imports from Singapore and Malaya registered a sharp drop from \$89 m to \$48 m chiefly due to curtailed shipments of rubber, tin and coconut oil. Export of HK products to Malayan markets continued to decline from \$47 m in Jan./June 1956 to \$39 m this year. Malaya also curtailed purchase of cement, fresh eggs and other Chinese foodstuffs from here because large consignments of these items reached there direct from China. On the other hand, Singapore and other Malayan ports ordered substantial quantities of Taiwan sugar, SE Asian beans and other staples, as well as American and European provisions and other consumer goods from here. Consequently, total export was slightly better than same period last year:

	Import from Malaya	Export to Malaya
	(in million HK\$)	
Jan./June 1956 .....	89.2	188.1
Jan./June 1957 .....	48.4	188.6

Prospects are uncertain. Although Malaya remained, during the first six months this year, the third principal buyer of HK products the volume of such shipments to that market had steadily declined. If Malaya after its independence should increase the preferential duties on HK products and introduce protective restrictions on import of items which could be produced by its domestic industries, export of HK manufactures to that market will further drop. Purchase of Chinese foodstuffs and light industrial products such as cement and window glass is not likely to improve in view of keen interest of Singapore and Malayan businessmen in promoting direct trade with China. However shipments of American and European goods to that market would probably remain at present level.

TRADE WITH INDONESIA

In spite of the US\$2.5 m order from Djakarta for HK cotton yarn, thread and cloth, export of HK products to Indonesia dipped further from \$97.3 m to \$59.6 m. Total export too dropped by \$136.3 m to \$208.8 m.

	Import from Indonesia	Export to Indonesia
	(in HK\$ million)	
Jan./June 1956 .....	13.4	345.1
Jan./June 1957 .....	58.0	208.8

The sharp drop was chiefly caused by Djakarta's direct purchase of cotton textiles and other supplies from Japan but following factors were also responsible: (1) Djakarta's import restrictions on items which can be produced by its domestic industries; (2) Djakarta's lack of adequate funds for various purchases; (3) the periodical drop of rupiah value making imports from here more expensive; and (4) the ever-changing trade regulations in Djakarta. How-



ever, Indonesia remained HK's No. 1 customer although it dropped to No. 2 on the list of buyers for HK products. Furthermore, Jan./June 1957 export figures (total \$208.8 m and HK products \$59.6 m) are still better than those for corresponding period in 1955 (\$76.8 m and \$35.7 m). Djakarta may buy more Japanese products from the local market during the second half year in view of recent restrictions imposed by Tokyo on shipments to Indonesia but exports from here to that market could not possibly return to the abnormal level reached during 1956.

Disturbances in Indonesia affected shipments of rattan, groundnut oil, sesame, raw sugar and other staples from Djakarta to the local market because these produce came chiefly from territories outside Java island. However, local dealers managed to import these items direct from Sumatra and other areas outside Java. Indonesian traders in these territories found direct trade with HK more profitable because they did not have to surrender to Djakarta the foreign exchange earned from exports. They also bought direct from HK many commodities otherwise prohibited or restricted by Djakarta. Total import from Indonesia therefore improved considerably from \$13.4 m. to \$58 m. Purchases by Indonesian traders outside Java island also helped to partially offset the sharp decline in shipments to Djakarta; otherwise total export to Indonesia would have been much less than \$208.8 m.

#### TRADE WITH THAILAND

Bangkok curtailed consignments of live cattle, beans, maize, sesame and other staples but maintained heavy shipments of rice to the local market. As a result, imports totalling \$99.6 m. were better than \$95.5 m. for last year and also higher than this year's exports which plunged from 1956's \$204.8 m. down to only \$96.8 m.

	Import from Thailand	Export to Thailand
	(in million HK\$)	
Jan./June 1956 .....	95.5	204.8
Jan./June 1957 .....	99.6	96.8

The 50% drop in exports to Thailand resulted chiefly from Bangkok's direct purchase from Japan instead of via HK as had been the case in 1956. Export of HK products also reduced from \$25.2 m. for Jan./June 1956 to \$19.8 m. during first half 1957 due probably to the increased restriction in Bangkok on import of knitwear, cotton textiles, metalware and other items which its domestic industries can produce. There was also increased volume of direct trade between Bangkok and Peking but most shipments were made via HK; consequently about 50% of the tonnage shipped from here to Bangkok consisted of Chinese cement, paper, wire nails, glass, joss sticks, and foodstuffs. The volume of such transshipments may decline because several shipping companies are already running direct freight service between Bangkok and Chinese ports. There is no indication that Bangkok might return to HK market for more Japanese products. The chance of shipping more HK products to Thailand is also slim.

#### TRADE WITH US

Imports from US registered a 50% increase over the same period last year and exports improved by 60%; but HK's trade deficit grew from \$142.7 m. in first half 1956 to \$215 m. this year.

	Import from US	Export to US
	(in million HK\$)	
Jan./June 1956 .....	195.2	52.5
Jan./June 1957 .....	300.2	85.2

Raw cotton constituted about 10% of imports from US. Other principal imports were black plate, tobacco, piece-goods of synthetic fibres, pharmaceuticals, toilet articles and cosmetics, fruits and provisions, electric appliances, air conditioning units, elevators and other machinery and equipment. Tourists, local residents and smugglers are providing steady demand for American consumer goods particularly for luxury items; local factories are consuming large quantities of cotton, black plate and other materials from US; the building boom here is stimulating demand for American elevators, electric fittings and other construction equipment and supplies; and tailors here are using more 'Made in USA' Dacron and other synthetic fibres. In spite of the fact that there are factories here making 'stretch' socks, shorts, vests, towel, shoes and swimming costume, import of these items from US remains heavy. American consumer goods are also more expensive than similar items from UK and Europe but they are popular with local consumers confirming the superior quality of American products as well as reflecting the pro-American sentiment among the majority of local residents. Indirectly, American movies are not only influencing HK population in the ways of living and entertaining but also helping American manufacturers to market their products, particularly consumer goods.

Export of HK products to US during the first six months was actually more than \$17.4 million registered by Government under "HK Products Exported". For example, rattan and hardwood furniture which occupied a very large percentage of the \$85.2 m. worth of goods shipped to US according to government statistics was not included in the \$17.4 m. Even the total export to US during the period was more than \$85.2 m. because the large volume of mail order business enjoyed by local tailor shops and garment exporters was not included in government statistics. Anyway, it is sufficient to say that HK products are enjoying very strong demand from US consumers and that over 70% of shipments from here to US consisted of HK manufactures.

However, interest of American consumers is now centred on a few established items only including shirts, torch, gloves, plastic toys, tailor-made suits and ladies dress, jewellery and ivory carvings, embroidered articles, leather goods, and furniture made of rattan and hardwood. HK factories should be able to sell many other products to this rich market. American consumers are also anxious to buy more attractive goods from HK especially items which only HK craftsmen can make and which Americans cannot produce.

#### TRADE WITH PHILIPPINES

Import of sugar, mangoes, coconut oil, groundnut kernel and other staples from the Philippines totalled \$15.5 m., slightly better than same period last year but still much less in value than Manila's purchases from here which increased to \$35.9 m.

	Import from Philippines	Export to Philippines
	(in HK\$ million)	
Jan./June 1956 .....	13.7	21.1
Jan./June 1957 .....	15.5	35.9

HK products constituted 50% of exports to the Philippines; items which retained strong demand included cotton yarn, paint and varnish, canned food, plastic toys, hurricane lanterns and other metalware. The other 50% consisted chiefly of machinery and equipment, structural steels and other essential supplies. Prospects for second half year are uncertain because Manila recently announced that imports would be curtailed in view of the trade deficit amounting to US\$89 m. accumulated during the first six months this

year. Flow of luxury items and other goods prohibited by Manila from here to the Philippines via North Borneo and other territories slowed down during April/June on account of strict preventive measures adopted by Manila. In April, Manila also tightened control over mail imports after it was discovered that hundreds of parcels from HK to various cities in the Philippines contained watches and other undeclared items.

TRADE WITH CAMBODIA, LAOS & VIETNAM

Imports from and exports to these states both improved when compared with first half 1956. Imports came chiefly from Cambodia (\$26.5 m. out of the total \$40.7 m.) and exports went mostly to Laos and Cambodia (\$25 m. and \$24 m. respectively out of the total \$83 m.).

	Import from C.L.V.	Export to C.L.V.
	(in million HK\$)	
Jan./June 1956	29.9	73.9
Jan./June 1957	40.7	83.0

During January/March period, exports to Cambodia were restricted to small quantities of HK products because Phnompenh insisted on procuring most supplies from manufacturing countries. The situation improved later in April after Phnompenh found that many European and Japanese products were cheaper here than could be bought from these countries direct; furthermore, delivery from the local market was also faster. Consequently export of cement, paper, chemicals, wheat flour, foodstuffs and metals improved during the second quarter.

Laos bought heavily from the local market; interest was centred on construction materials. But towards end of first half year Vientiane slowed down purchases from here because it had over-bought during second half 1956 and first half 1957. As a result, large quantities of transit cargo from HK and Japan were stranded in Thailand.

Exports to North Vietnam and South Vietnam totalled \$17.5 m. and \$16.5 m. respectively. Orders from Haiphong covered mostly gunny bags, wire nails, metals, cigarettes, foodstuffs, chemicals, sugar and pharmaceuticals; volume was restricted by the lack of foreign exchange there. Saigon was keen in sugar, cotton textiles, fruits, foodstuffs, wine, provisions and various other items but purchases from here limited to small quantities because (1) purchasing power there remained low; (2) Chinese traders were inactive due to restrictions imposed on them by authorities there; and (3) Japan, US and France shipped large quantities of supplies direct to Saigon.

Trade with South Vietnam may reactivate after the majority of Chinese merchants there have adopted Indonesian citizenship. Cambodia would probably maintain the present volume of purchase from here during the second half year but exports to Laos and North Vietnam are not likely to improve. Import of rice, beans, maize, live hogs, cow hide, etc. from Cambodia will remain heavy in view of the keen demand in the local market for these items. Saigon too can supply HK with more rice, beans, live pigs, poultry and sundry provisions but prices must be more competitive than at present. Import of woodoil, rice and other staples from North Vietnam, however, will probably remain at the present level and imports from Laos will be insignificant.

TRADE WITH KOREA

Although Seoul had earmarked US\$80 m. for imports during the fiscal year ending March 1958, its purchases from here during the first six months this year amounted to only \$38.8 m. representing a sharp drop from \$60.7 m. for the same period last year. Export of HK manufactures to

South Korea also showed a corresponding decline, from \$2.6 m. to \$178,900. With the exceptions of a few items of European paper and small quantities of rayon yarn, metals, pharmaceuticals, chemicals, sugar, machinery and equipment which were obtained from the local market, Seoul approached Japan, US and other manufacturing countries for most supplies.

Exports to South Korea were also handicapped by low stock available in the local market particularly in the case of paper. Furthermore, buying offers from Seoul were usually low, sometimes even lower than market prices here which in many cases were already below replenishment costs. Demand from South Korea for paper may improve during second half year but purchase of other supplies from the local market will be restricted to a few items only; counteroffers from Seoul will remain low.

Imports totalled \$10.9 m., slightly better than \$10.5 m. for corresponding period last year. Dealers here did not book large supplies of gallnuts, agar agar and other staples from Seoul because indents were usually higher than market prices here. Towards end of June, Seoul sent here a trial shipment of cotton yarn but such imports will be limited to small quantities; local demand will not be very strong because cotton goods made from Korean yarn cannot enjoy preferential duties in Commonwealth markets.

TRADE WITH TAIWAN

Considerable quantities of sugar arrived here from Taiwan boosting imports from Taiwan to \$47.9 m.; imports during same period last year totalled only \$25.8 m.

	Import from Taiwan	Export to Taiwan
	(in million HK\$)	
Jan./June 1956	25.8	23.9
Jan./June 1957	47.9	29.2

The rise of \$22.1 m. in imports was also brought about by increased consignments of live hogs, feathers, garlic, fruits, tea, straw board, and canned food. Exports to Taiwan were slightly better than last year but shipments of HK manufactures to that market declined from \$974,259 to \$577,552. Orders from Taipei were chiefly for small quantities of essential supplies (metals, chemicals, pharmaceuticals, machinery and equipment); furthermore, many transactions were handicapped by low buying offers.

Prospects of further improvement in export to Taiwan are dull because Taipei prefers to deal direct with Europe and SE Asia whenever possible. However, in view of the surplus of \$18.7 m. Taiwan has accumulated in its trade with HK, more orders may reach here from Taipei during second half year for metals and other industrial supplies; but buying offers will remain low.

HK's invisible exports to Taiwan are growing. Increasing number of American and Chinese visitors are coming here from Taipei to do their shopping; many come here regularly. The well-to-do group in Taiwan usually ask their relatives in HK to send dress materials and other consumer goods, mostly luxury items, to Taiwan through friends who either work on airlines or have exclusive transportation facilities. Funds are often transferred here through black market operators or brought here in US dollar notes by buyers themselves.

TRADE WITH BURMA

Exports to Burma totalling \$23.6 m. appeared to be much better than corresponding period last year but actually remained at the level of second half 1956. Imports from Burma however declined leaving a surplus of \$12.4 m.



	Import from Burma	Export to Burma
	(in million HK\$)	
Jan./June 1956 .....	21.9	10.7
Jan./June 1957 .....	11.2	23.6

Most orders from Burma came from joint state-private purchasing agents and covered chiefly old newspaper, empty bottles, paper, textiles, construction materials, metalware and plastic products. Demand for HK products improved considerably from \$1 m. to \$8.6 m. this year. However, beginning April, exports to Burma gradually declined and in June dropped from the monthly average of \$4 m. to only \$1.7 m. Trade with Burma is not very promising because there is intense competition from Pakistan in supplying cotton yarn and from Taiwan in selling sugar to Burma. Demand for Japanese products is also weakening on account of Japan's increased direct shipments of textiles and other commodities to Burma.

Shipments to Burma during second half year will probably consist chiefly of HK manufactures (metalware, plastic products, shirts, etc.) and Chinese products (window glass, paper, wire nails and foodstuffs). Imports of teakwood, beans, rice bran and other staples from Burma will probably remain at the monthly average of about \$1 million.

#### TRADE WITH AFRICA

Exports to South Africa improved from \$13.7 m. to \$21.5 m. after authorities there relaxed import control on consumer goods. Principal items shipped there included rayon piecegoods, cotton textiles, cosmetics and provisions, enamelware and other HK products. Further improvement in exports to SA is possible but will be limited in volume in view of the recent increase in import duties there on buttons, socks, raincoat, enamelware, children's garment, and other items which industries there are able to produce. Imports from SA too improved from \$11.5 m. to \$20.7 m.; principal items were fruits, jam, oatmeal, canned beef, cow hide, tanning extract, groundnut oil.

Imports from and exports to British East Africa both registered slight gains; \$24.5 m. to \$29 m. and \$14.6 m. to \$15.6 m. respectively. Raw cotton, groundnut, ivory were major imports and HK manufactures, principal exports.

Exports to British West Africa declined from \$31.7 m. to \$23.3 m. due to the weak purchasing power there following the decline of cocoa price in international markets; keen competition from Japanese goods also restricted sales of HK goods in WA.

Among other African markets, French West Africa provided steady demand for HK manufactured goods and more orders may reach here for rainwear, hurricane lanterns, enamelware, cotton textiles, rayon piece goods, and canvas shoes but improvement will not be very impressive in view of the limited purchasing power in these markets and intensified competition from Japanese and Chinese products.

#### TRADE WITH INDIA

Import of gunny bags, shellac, raw cotton, yarn and cloth totalled \$48.8 m., about \$15 m. higher than first half 1956. Export of metals, plastic products, window glass, paper, cassia and rosin amounting to \$8.3 m. was \$2.2 m. lower. Demand from India was weak especially after New Delhi had curtailed imports for the first six months this year by 300 million rupees and restricted import of 500 non-essential items.

#### TRADE WITH PAKISTAN

Imports at \$57 m. were slightly lower than \$66.9 m. for Jan./June 1956. Pakistan cotton yarn remained very

popular in the local market but everytime cif HK prices advanced, dealers here curtailed imports forcing Pakistan manufacturers to cut quotations. Exports to Pakistan were insignificant, only \$2.1 m. during the period.

#### TRADE WITH CEYLON

Exports to Ceylon further declined from \$8.8 m. to \$7.6 m. Colombo curtailed purchases from here because Ceylon had to import large quantities of Chinese staples and industrial products direct from China to balance the surplus of 80 million rupees in her rubber/rice trade with China at end of last January. Prospects of improving exports to Ceylon are dull because during the half year period, Colombo importers booked more Chinese foodstuffs and light industrial products such as cement, garlic, cotton textiles, stationery, canned food and textiles from China. Import of tea and other staples from Ceylon totalling \$2.9 m. was slightly higher than \$2.1 m. last year.

#### TRADE WITH AUSTRALIA

Exports to Australia during the first 4 months were much slower than corresponding period last year. Shipments of rattan furniture, torch, shirts, toys, umbrella, vacuum flask, plastic products, knitwear, cotton textiles improved during May and June following the relaxation of import restriction in Australia. Consequently export of HK manufactures totalling \$9.8 m. during Jan./June 1957 was \$800,000 better than first half 1956; however the improvement was not substantial enough to offset the drop in other shipments to Australia and the total export during first six months this year at \$26.9 m. was \$1 m. less than last year. Competition from Japanese products in Australian markets is growing and direct trade between China and Australia may also increase.

Imports of wheat, wheat flour, frozen meat, dairy products, fruits and wools from Australia totalled \$61.7 m., \$17.8 m. higher than corresponding 1956 record. Import of wheat flour may decline during second half year but large consignments of frozen meat and dairy products will continue to reach the local market.

#### TRADE WITH NEW ZEALAND

Exports to New Zealand were slightly lower than 1956 while imports rose from \$1.1 m. last year to \$3.2 m. during the first six months this year. NZ is anxious to sell more frozen meat and dairy products to HK. In return, HK can offer garments, metalware and other local manufactured goods. Both import from and export to NZ can be further improved.

#### TRADE WITH OTHER COUNTRIES

**North Borneo**—Timber, firewood and scrap iron constituted the major portion of \$24.9 m. worth of imports from North Borneo. Imports during corresponding period last year totalled only \$19.4 m. Export of foodstuffs, luxury goods, textiles, garments, vacuum flask and other metalware, cement and construction materials totalling \$26.9 m. was slightly lower than \$27.9 m. for Jan./June 1956. Actually, exports during the first 4 months this year were much higher than same period 1956 but during May and June shipments to NB retarded because Manila adopted strict measures to prevent smuggling of prohibited items from there into the Philippines.

**The Middle and Near East**—Exports to Egypt and other ME and NE countries were lower than Jan./June 1956 chiefly due to Suez blockade during the first five months this year. Shipments to Port Sudan, Al Kuwait and other ME and NE ports picked up in June after resumption of Suez traffic but competition from Japanese and Chinese

# HONGKONG COMPANY MEETINGS

## ALLIED INVESTORS CORP. LTD.

In the absence of Mr. G. E. Marden (Chairman), Mr. T. N. Chau presided at the annual general meeting held on July 31. The Chairman's statement reads: The Gas Company made further issues of capital, as a result our holding increased by 81,008 shares, and an additional 9,680 shares have been issued to us since the close of our year; shareholders of the Gas Company have been warned that further calls for capital may be expected. Whilst our increased holding is still worth substantially more than its book figure,

we are approaching a point where we shall lack capacity to add to it. Last year the Board was exploring the possibility of resolving the impasse with regard to these shares and it is hoped that such will prove possible during the year.

The receipt of dividend from the Gas Company dictates the declaration of our own dividend. The Board has declared an interim dividend for 1957/58 of 25 cents a share. We have participated in the financing of certain prospecting operations which now appear unlikely to yield appreciable results in the foreseeable future. It is accordingly felt desirable to make provision to cover these advances, and there is included in the Profit and Loss Account a transfer to Provision Account of the sum of \$90,000. It may be necessary to provide further amounts in the future if it should be decided finally to discontinue the operations. As a result of this appropriation and the interim dividend paid last July the amount carried forward becomes approximately \$41,000. The market value of quoted investments other than Gas shares continues to be lower than their book value, but the excess in actual value of the Gas shares over their figure in the Balance Sheet is more than adequate to cover this depreciation. The amount due from our General Managers has been reduced by \$700,000.

products in these markets intensified. Egypt bought Ceylon tea, Australian woottops and Canadian wheat from Japan as well as paper, beans, textile machinery, tobacco, silk goods, tea and plywood from China direct instead of from HK.

**Canada**—Imports from and exports to Canada both registered encouraging gains. Import of paper, aluminum ingot, plastic moulding powder, automobiles and canned food will remain at present level during second half year but export of HK products will be adversely affected by restrictions there on imports of rubber footwear which constitutes about 50% of HK products shipped there. Canadian merchants also turned to Canton for direct supplies of bristles, raw silk, tea and beans instead of procuring these items from the local market.

**South and Central America**—Trade with S. and C. America remained at 1956 level. Imports came chiefly from Brazil and consisted of raw cotton and canned food. Exports went mostly to Venezuela and HK products constituted more than 50% of the total tonnage shipped there; principal items included rubber shoes, enamelware, plastic products, cotton textiles and foodstuffs. British West Indies also bought more HK manufactures this year than last.

**Macau**—Authorities there removed the 5% import duty on consumer goods introduced in 1954. This did not stimulate HK exports to that destination to any considerable degree because local consumption there was limited while reexports from there to China insignificant. Imports too remained at 1956 level.

## THE OUTLOOK

Exports during the second half year will remain at the level of the first six months but imports from Japan, UK and Europe will be considerably reduced. The ease of embargo would not augment China's purchase from here to any impressive degree. On the contrary, China's growing direct trade with Japan, UK, West Germany and other Chincom countries will adversely affect purchase of staples by these countries from here. Commodity prices in the local market will continue steady mainly on account of high replenishment cost. On the other hand, there will not be any sharp rise in prices because buying offers from Korea, Taiwan and SE Asia will remain low. Export of HK products to SE Asia will meet increasing resistance but Indonesia and Malaya will still be HK's principal buyers. UK's purchase of cotton textiles from HK will continue heavy but it seems that the maximum point has been reached. Demand from US and Europe for HK manufactures will further improve but factories here will have to improve the quality as well as the packing of their products to satisfy and retain the demand from these quality markets.

— Ricardo

## HONGKONG MINES LTD.

A loss of \$56,929 was reported at the meeting of shareholders of the Hongkong Mines, Limited, held on July 30. Mr. G. Abbass, Acting Chairman, said that the loss (for the year ended Dec. 31, 1956) was due to operations being situated in a restricted area hence they had to continue under the necessary restrictions. They also could not find sufficient number of workmen. Landslides from thunderstorms cost the company approximately \$12,000 to clear. However, labour conditions are now better and they hope to do better this year. At present all tunnels in the mine are in a healthy condition. Total quantity of lead ore produced and shipped was approximately 200 long tons with a Pb content ranging from 51% to 60%.

## TEXTILE CORPORATION

The meeting of the Textile Corporation of HK Ltd. was held on July 19 and presided by Mr. S. N. Chau in the absence of Chairman G. E. Marden. In his statement, Mr. Marden said: Two factors affected the textile industry in Hongkong last year—the riots last October and the visit by the Lancashire Textile Mission headed by Sir Cuthbert Clegg. We suffered no damage during the riots at Tsun Wan but our production fell by 23 per cent during October and it was not until January that full production was reached again. The Textile Mission from Lancashire headed by Sir Cuthbert Clegg came here to request a voluntary reduction in exports of textile goods to the United Kingdom. I can do no more than emphasise the remarks made by Dr. S. N. Chau, in his budget speech—that it is "the duty of Government to do more than look benevolently upon our embryo industrial associations and to afford them that active assistance and support that will enable them to hold their own in dealings with their powerful and wealthy prototypes elsewhere."

Last year I mentioned the necessity of modern finishing and dyeing facilities in the Colony which would, if installed, minimise the effect of any restriction of imports into the United Kingdom, as we could then export direct to the markets served by Lancashire instead of sending our grey cloth to Manchester for finishing and dyeing. One of the troubles has been the lack of adequate and continuous



## HONGKONG AND SHANGHAI BANK CONSTITUTION

A Bill to amend the constitution of the Hongkong and Shanghai Banking Corporation by the removal inter alia of certain liabilities and limitations imposed in the principal Ordinance was introduced at Legislative Council last week. For reasons which are largely historical the principal Ordinance imposes on the Bank certain liabilities and limitations which do not apply to other Hongkong banks incorporated in the ordinary way under the Companies Ordinance or to the Hongkong branches of banks incorporated abroad. These liabilities and limitations are for the most part relics of the old Colonial Regulations of 1840, which governed the setting up and operation of banks in the Colonies, whether constituted by charter or by local enactment, and were based on practice in the United Kingdom before the principle of limited liability was extended to joint stock banks by the United Kingdom Companies Act of 1862 and in the Colonies by local Companies Ordinances. Although the Hongkong and Shanghai Bank was formed shortly after this in 1866, it was considered that conditions in the Colonies were still too uncertain and that the old safeguards against possible banking disasters should be retained. The Chartered Bank has recently been granted an amendment designed to remove these anachronisms from its Charter, where

they had also survived, and the Hongkong and Shanghai Bank has now requested similar amendments to its Ordinance.

There are two main special liabilities. In the first place shareholders are liable in respect of the Bank's notes as if the Bank were constituted without limited liability. The authorised note-issue of the Bank, which goes back before 1935 when Hongkong went off the silver standard on to its present monetary system, is \$30 million, of which only two-thirds need be backed by bullion, securities etc. lodged with the Crown Agents. The Bank could therefore and can still issue notes to a value of \$6-1/3 million as a purely fiduciary issue with no other backing than the Bank's own resources. That was a large sum in earlier days but is no longer of much significance in relation to the Bank's present total issue of \$692 million, of which the excess over and above \$30 million must be fully covered by Certificates of Indebtedness from the Exchange Fund. The Bank however finds that this unlimited liability for notes militates against acceptance of its shares as investments by trustees for pension and other such schemes, and by insurance companies and similar institutions. The Bank has therefore requested removal of the liability and has offered instead to give up its fiduciary issue and cover its authorised issue of \$30 million in full by the deposit of bullion, securities etc. with the Crown Agents. This would bring its note issue into line with those of the two other note-issuing banks. Sections 6, 7 and 8 of the Bill amend the appropriate sections of the Ordinance to this effect.

The second main liability is that every shareholder is liable to contribute towards the Bank's liabilities not only the unpaid portion of his shares but also a further sum of money not exceeding the nominal value of his shares. There is no longer any justification for this double liability which applies to no other bank in Hongkong. Section 7 of the Bill removes it. Section 7 of the Ordinance contains another special limitation. The capital of the Bank may not exceed \$50 million and within that limit the Governor's consent is required for any increase of capital. This, too, is outmoded. Section 3 of the Bill amends the Ordinance so as to put the power of increasing the Bank's capital fully in the hands of shareholders. In consequence of two recent resolutions of shareholders made with the Governor's consent, the Bank's capital has been increased from \$20 million to \$50 million. Two other minor modifications of the Bank's constitution are explained in the Bill under paragraphs (a) and (c) of the Objects and Reasons:

(a) The Hongkong and Shanghai Bank Regulations empower the Bank to establish subsidiary corporations, inter alia. Section 5 of the principal Ordinance provides that the business of the Bank and every subsidiary corporation shall be carried on "under the management of the directors", that is to say, the directors of the principal corporation. The business of such subsidiary corporations must, under their respective constitutions, be managed by their own directors who may not necessarily be directors of the principal corporation. The deletion from section 5 of the words "under the management of the directors", which appear to have been overlooked at the time the above regulations were amended to empower the Bank to establish subsidiary corporations, will remove this anomaly without affecting the management of the principal corporation which is fully provided for by regulation 108 of the above regulations.

(c) In any re-organization of capital it is very often convenient to convert shares into stock. Under the Companies Act, 1948, and the Companies Ordinance, a company may convert shares into stock and re-convert stock into shares if the articles of the company so provide. A new paragraph is to be added to section 8 of the principal Ordinance empowering the Bank to convert shares into stock and to re-convert stock into shares.

supply of suitable water. A Swedish dyeing and printing expert recently in the Colony told of a new process where water is not such an important part of the process, which should simplify the problem as far as HK is concerned.

We have sold part of our surplus land. On the remaining portion we are in the process of building a new weaving shed, which, unfortunately, has been delayed by the necessity for the removal of squatters and heavy rains.

The net profit for the year ended March 31, 1957 totalled \$1,016,630; together with the profit on the sale of land (\$54,227) and the balance brought forward from 1956 (\$836,655) aggregated \$1,907,512 for appropriation. A dividend of 50 cents a share on 1,600,000 shares will be paid. Net current assets is nearly \$3 million compared with \$1,300,000 for the previous year. The amount carried forward is \$1,001,976 against \$836,655 last year.

### WING ON LIFE

The annual meeting of Wing On Life Assurance Co. Ltd. was held on July 7 with Managing Director Philip Gockchin presiding. In his report to the shareholders, Chief Manager L. P. Kwok said inter alia: Business written during 1956, totalling \$40 million, constitutes a new record for the Company. After deducting all expenses and setting aside the Life Assurance Fund the Company gained a surplus of \$1,033,000 which was a new record of the Company. The amount of life business written and first year premium received in the year increased by 70% over 1955.

There was also a record increase in underwriting accident insurance and the volume of accident insurance written during the year was 60% higher than 1955. Death claims were very moderate and surrenders were not heavy. The rate of interest earned on Assurance Fund showed a reasonable increase. The market value of all the Company's investment was considerably in excess of their book value. For the past five years, the business of the Company has been improving year after year. The 15-storey Wing On Life Building was completed last year.

In Singapore and Malaya, the Wing On Fire and Marine Insurance Company, Ltd. was our General Agent, but as from January 1, 1957, we have established our own Branch in the above districts. Business in the past year was very satisfactory, and better results will be achieved by our Singapore Branch for the coming year.

# FINANCE & COMMERCE

## HK EXCHANGE MARKETS

U.S.\$

Aug.	T.T. High	T.T. Low	Notes High	Notes Low
12	\$597 $\frac{1}{2}$	596 $\frac{1}{2}$	597 $\frac{1}{4}$	595 $\frac{7}{8}$
13	597 $\frac{1}{4}$	596	596 $\frac{3}{4}$	595 $\frac{1}{8}$
14	596 $\frac{1}{4}$	595 $\frac{1}{2}$	595 $\frac{1}{2}$	594 $\frac{1}{4}$
15	594	596 $\frac{1}{2}$	603	595 $\frac{3}{8}$
16	606	606	609 $\frac{1}{2}$	606
17	613	608 $\frac{1}{2}$	613 $\frac{1}{4}$	607 $\frac{3}{8}$

D.D. rates: High 609 Low 594.

Trading totals: T.T. US\$3,770,000; Notes cash \$430,000, forward \$3,920,000. The market suddenly stimulated by heavy speculative buying on the rumour of possible devaluation of Pound Sterling. In the T.T. sector, sellers asked for better rates while demand from gold importers keen. In the Notes market, speculative buying was very active, in spite of heavy change over interest which favoured sellers and aggregated HK\$19.18 per US\$1,000; positions taken averaged US\$3 $\frac{1}{2}$  million per day. The D.D. market was quiet.

**Far Eastern Exchange:** Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.795—1.745, Japan 0.01435—0.01375, Malaya 1.871, Vietnam 0.0666—0.0662, Laos 0.055, Cambodia 0.075—0.072, Indonesia 0.1129, Thailand 0.2832—0.281. Sales: Pesos 330,000, Yen 135 million, Malayan \$360,000, Piastre 14 million, Kip 8 million, Rial 5 million, Rupiahs 650,000, and Baht 3 million.

**Agreed Merchant T.T. rates:** Selling and buying per foreign currency unit in HK\$: England 16.202—15.867, Australia 13.016—12.757, New Zealand 16.202—16.10, United States 5.818—5.735, Canada 6.0837—5.9925, India 1.216—1.205, Pakistan 1.218—1.204, Ceylon 1.219—1.207, Burma 1.216—1.205, Malaya 1.8868—1.8692. Selling per foreign currency unit in HK\$: South Africa 16.236, Switzerland 1.3373, Belgium 0.1171, West Germany 1.3937, France 0.0139. Franc dipped slightly in the local market on account of its depreciation announced in Paris during the previous week.

**Chinese Exchange:** People's Yuan notes quoted HK\$1.35 per Yuan. Taiwan Dollar notes quoted HK\$0.166—0.165 per dollar; remittances 0.153—0.152.

**Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 15.97—15.95, Scotland and Ireland 14.00, Australia 12.30, New Zealand 14.20, Egypt 12.00, East Africa 14.60, South Africa 15.50, Jamaica 14.00, Fiji 10.00, Malta 12.00, India 1.1765—1.175, Pakistan 0.785, Ceylon 1.00, Burma 0.52, Malaya 1.836—1.834, Canada 6.38—6.23, Cuba 5.50, Argentina 0.135, Brazil 0.075, Philippines 1.785—1.775, Switzerland 1.36, West Germany 1.39, Italy 0.00935, Belgium 0.115, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.54, France 0.013—0.0126, Vietnam 0.0695—0.068, Laos 0.0555—0.054, Cambodia 0.077—0.0715, North Borneo 1.60, Indonesia 0.117—0.10, Thailand 0.274—0.27, Macau 1.025—1.02, Japan 0.01475—0.0144. Rupiah dropped by over twenty per cent in the local market following its decline in Djakarta. Official rates in Indonesia were revised to: 15.15 rupiahs to US\$1; 53.62 to £1; 3.33 to HK\$1; 4.38 to 100 Swiss franc. These new rates represent drops of 66/68%.

### Gold Market

Aug.	High .945	Low .945	Macau .99
12	\$260 $\frac{3}{4}$	259 $\frac{5}{8}$	
13	260	259 $\frac{1}{4}$	
14	259 $\frac{1}{2}$	258 $\frac{1}{8}$	Low 269 $\frac{1}{8}$
15	263	259 $\frac{1}{4}$	
16	267	264 $\frac{1}{4}$	
17	267 $\frac{1}{2}$	264 $\frac{1}{2}$	277 $\frac{3}{8}$ High

Opening and closing prices were 259 $\frac{3}{4}$  and 264 $\frac{3}{4}$ , and the highest and lowest 267 $\frac{1}{2}$  and 258 $\frac{7}{8}$ . The market was strong on heavy speculative buying in line with US\$ market. Interest favoured sellers and aggregated HK\$ 5.90 per 10 taels of .945 fine. Business averaged 9,200 taels per day and totalled 55,200 taels for the week, in which 20,080 taels were cash tradings (4,280 taels listed and 15,800 taels

arranged). Speculative positions averaged 19,800 taels per day. Imports from Macau amounted to 12,000 taels. A total of 64,000 ounces arrived Macau in the week. Exports totalled 9,500 taels (7,000 taels to Singapore and 2,500 taels to Indonesia). Differences paid for local and Macau .99 fine were HK\$13.00—12.60 and 12.00—11.70 respectively per tael of .945 fine. Cross rates were US\$37.90—37.83 per fine ounce; \$8,000 fine ounces were contracted at 37.83 cif Macau. US double eagle old and new coins quoted HK\$ 278.00—270.00 and 235.00—229 respectively per coin, English Sovereign HK\$59 per coin, and Mexican gold coins HK\$286.00—278.00 per coin.

**Silver Market:** 600 taels of bar silver traded at HK\$5.75 per tael and 1,000 dollar coins at HK\$3.65 per coin. Twenty-cent silver coins quoted HK\$ 2.80 per five coins.

**Platinum:** The drop of Platinum prices in London from £34 to £31 per ounce affected local prices which dropped from HK\$700 per tael to HK\$690.

## HK SHARE MARKET

Business averaged half a million dollars per day last week with interest covering most popular shares. Trams declined from \$24.40 to \$23.90; although the 60 cents interim dividend was same as that of last year it disappointed many shareholders who had expected a larger interim. HK Banks were active between X-All rates of \$900 and \$910; annual yield is estimated at about 5.56% assuming that the total annual dividend is now about £3 per share. Wheelocks and Iau-matis retained popular demand during the week but eased slightly at the close. Unions, Lombards, and HK & FE Investments registered slight drops because buying offers were not very keen. Other shares fluctuated within narrow limits; buyers wanted to force prices down but there was no selling pressure and consequently closing rates were steady on Friday. Turnover totalled about \$3 million: Monday \$634,000, Tuesday \$657,000, Wednesday \$470,000, Thursday \$515,000, Friday \$578,000.

**Dividends**—HK Tramways Limited declared an interim dividend of 60 cents per share for 1957 (payable on and after Sept. 17th). Kwong Sang Hong's interim for 1957 is \$6 per share.

**Rubber Output**—Amalgamated Rubber Estates Limited reported that the July 1957 crop amounted to 626,336 pounds.



Share	Aug. 9	Last Week's Rate		Closing	Up & Down	Dividend	Esti- mated Annual Yield (%)
		Highest	Lowest				
HK Bank	905	910	900	900	—\$5	\$50	5.56
Union Ins.	94.50 s	93.50	93	93.50 s	—\$1	\$3.40	3.64
Lombard	36 s	36 s	35 b	35.50 n	—50c	\$2	5.63
Wheelock	7.85	7.85	7.80 b	7.80	—5c	75c	9.62
HK Wharf	114	114	113 b	114 b	steady	\$6	5.26
HK Dock	48.50 s	48.50	48 b	48.50 s	steady	\$2	4.12
Provident	12	12	11.90	12 s	steady	\$1	8.33
HK Land	36.50	37	36.50 b	36.50 b	steady	\$3.50	9.59
Realty	1.475	1.50	1.475 b	1.475 b	steady	15c	10.17
Hotel	15.50	16 s	15.40 b	15.50	steady	\$1	6.45
Trams	24.40	24.40	23.90	23.90	—50c	\$1.70	7.11
Star Ferry	135 n	135 s	133 b	XD 131 n	steady	\$9	6.87
Yaumati	107	107	106	106	—\$1	\$7.50	7.08
Light	18.90	19	18.80	18.90	steady	\$1.10	5.82
Electric	29.80	29.80	29.80	29.80	steady	\$1.80	6.04
Telephone	28.10	28.20	28.10	28.10	steady	\$1.50	5.34
Cement	33.25 s	33.25	32.75	33.25 s	steady	\$4	12.03
Dair: Farm	15.60	15.70	15.60 b	15.60	steady	\$1.63	10.45
Watson	12.60	12.70	12.50 b	12.60	steady	\$1	7.94
Yangtze	6.40	6.45	6.40 b	6.45 n	+5c	70c	10.85
Allied Inv.	4.20	4.35 s	4.20 b	4.20	steady	25c	5.95
HK & FE Inv.	11.20 s	11.20 s	XD 10	XD 10.20 s	—20c	80c	7.84
Amal. Rubber	1.50	1.525	1.50	1.50	steady	28c	18.67
Textile	4.325	4.35	4.30 b	4.325 s	steady	50c	11.56
Nanyang	9.30	9.35	9.30	9.35 b	+5c	\$1	10.70

## SINGAPORE SHARES

Industrials furnished the major portion of business during the week ended Aug. 9th at prices which showed little variation. Tins were steady with good enquiry for a selected few, while Rubbers had buyers readily available to accept the few offerings made. The most reassuring feature of the week was undoubtedly the announcement in the local press that the Federation and Singapore will continue to enjoy a joint currency under a single Central Bank.

Consolidated Tin Smelters continued to have good buyers. Malayan Breweries had good enquiry at \$3.65, Wearnes improved to \$3.45 and Robinsons had considerable turnover up to \$2.35. There were substantial exchanges in Singapore Cold Storage around \$2.26 cum the one for one issue and Gammons were popular up to \$2.65. Malayan Cement moved from \$1.70 to \$1.77½ on the announcement that the Company has started the first stage of its expansion which will raise the output by over 100,000 tons to make a total of about 220,000 tons of cement a year. Talam Minns and Rantau Tin had good enquiry but Petaling Tin fell to \$3.17½ before meeting resistance. The main turnover in London registered Tins again was in Ayer Hitam which touched 30/10½ arrival.

Jimah Rubber had buyers at \$2.05, Batu Lintang at \$2.30, Benta at \$1.40 and Sungei Bagan at \$1.92½. Of London registered shares Langkon North Borneo, on news of sale of the Estate moved up to 3/7½, but Ledang Bahrui due to conflicting opinions as to the break-up value, should the present bid be accepted, fell off to 3/6d. There was further investment in Kamuning Perak and Malakoff Rubber.

The Federation Government announced the issue of a loan of \$160 million 5¼% 1967/76. Interest will be payable on 15th February and 15th August, the first payment to be made on 15/2/58. The list of applications for amounts of not less than \$100 and in multiples of \$100 opened on 8th August and will remain open until further notice. This Merdeka Loan gives the peoples of Malaya an opportunity to invest in the future of their country to the ultimate benefit of themselves.

## TRADE REPORTS

Trade in the local commodity market last week was on a restrained scale. Enquiries from China for metals remained keen but purchases discouraged by firmer prices here. Demand from Taiwan, Korea and SE Asia for paper, metals, pharmaceuticals, etc. was steady but exports curbed either by low buying offers or by the lack of sufficient foreign exchange in these countries. Orders from Australia, UK and Europe for popular produce limited to small quantities on account of restricted supply from China.

Heavy imports of sugar from Taiwan and of rice from Thailand and Cambodia during the past few weeks caused a temporary shortage of storage space. Most godowns increased charges by 20% last week.

**HK/China Trade**—China was still keen in steel and black plates and other popular items of metals but firm prices here hindered transactions. Import of foodstuffs from China continued heavy. Supply of vegetable oil, oilseeds, animal by-products and other popular produce from China was still short; prospects of improvement dull.

**China/Japan Trade**—Most Japanese businessmen in Peking at present are

pessimistic of immediate increase in trade with China. The Japanese trade group which went to Peking recently is still negotiating the purchase of coal and iron ore from China. One Japanese firm sold £80,000 worth of fertilizer, tin sheets and radio valves to China but failed to conclude the purchase of woodoil and coal on account of high prices. It seems that Peking is holding out for higher than world market prices and insisting on a ten-year contract. Peking is also adamant in its refusal to accept finger-printing of Chinese officials going to Japan to set up a trade mission; negotiations have broken down completely on this point.

**HK/Japan Trade**—Exports to Japan slowed down following Tokyo's curtailment of purchases from here. Orders reached here last week covered only a few items of produce; quantities involved insignificant. Import of paper, cement, rayon and cotton textiles, sea food, electric appliances and sundries from Japan also reduced; without improvement in demand from SE Asia, dealers here will not burden themselves with large stocks of Japanese goods especially when indents are, in many cases, higher than local market quotations.

**HK/UK and HK/Europe Trade**—Demand from UK and Europe for produce covered chiefly animal by-products, oils and oilseeds which were difficult to procure from China. Shipments of vegetable oils, raw silk, and HK products to France will be adversely affected not so much by the devaluation of franc as by the 20% increase in duty there on most imports. Consignments of HK manufactures to UK, West Germany and North Europe constituted the major portion of over 3,000 tons of exports to these destinations last week. Imports from UK totalled 4,000 tons and from Europe 5,000 tons; principal items were woolen yarn and piecegoods, winter wear, metals, paper, rayon yarn, automobiles, wines and provisions.

**HK/US Trade**—Cotton mills here booked more raw cotton from US while local metal works indented American black plate waste waste. Several leading retail shops already received consignments of X'mas and winter goods from US. Another new brand (Marlboro) of American cigarettes has been introduced to the local market; retail price is \$1.10 per packet of 20 long-size cigarettes. Export of HK manufactured furniture, plastic products, cotton piecegoods and Chinese-style foodstuffs exceeded 1,000 tons.

**HK/Malaya Trade**—Exports to Singapore and other Malayan ports totalled 3,500 tons consisting chiefly of Chinese foodstuffs and HK products. Demand from Malaya for European and American goods is declining; Singapore importers are not only procuring their supplies direct from manufacturers but also competing with HK



in entrepot trade with Malaya and other SE Asian countries.

A delegation of 16 members of HK Chinese General Chamber of Commerce, led by Mr. Tong Ping-tak, left here last week for Singapore on a SE Asia trade promotion tour. Mr. Tong said the purpose of the mission was to inspect trade conditions and to establish closer trade relations with businessmen in SE Asia. The group will also visit leading cities in Indonesia, Malaya, Thailand and Burma.

**HK/Thailand Trade**—Demand from Bangkok gradually improved and there were more enquiries for rosin, metals, paper, chemicals, grey sheeting, winter underwear and other HK products; low buying offers however restricted the volume of business. Import of rice from Bangkok very heavy; consignments of live cattle, cow hide, timber and other staples limited to small quantities.

**HK/Indonesia Trade**—Djakarta importers who recently returned to HK market for more Japanese textiles, etc. following Tokyo's restrictions on exports to Indonesia, last week slowed down purchases from here because Tokyo decided to ease the restrictions on orders (amounting to US\$16) for textiles and other products already accepted by factories in Japan. Trade between HK and Indonesian cities outside Java island remained active but volume curtailed because the new drop in the value of Indonesian currency from 1.96 rupiahs down to 3.33 rupiahs for one HK dollar made purchases from HK more expensive.

**HK/Philippines Trade**—There was steady demand from Manila for structural steels, plates, paper, chemicals and other essential supplies. Orders however were mostly limited to small quantities and interest centred on a few items only. If dealers here keep their quotations competitive there may be more orders from Manila because authorities there have earmarked US\$20 m. for imports during 3rd quarter 1957.

**HK/Korea Trade**—Seoul was keen on a few items of paper and other essential supplies from the local market. Prospects of selling more newsprint in reel to Korea are good because most shipping companies here have reduced freight charges for this item from here to Pusan. Korean cotton yarn was well accepted by local mills especially those which export piecegoods and knitwear to US markets. Korean grey cloth was offered to local dealers.

**HK/Taiwan Trade**—Exports to Taiwan amounted to 1,100 tons; principal items were metals, chemicals, industrial equipment and supplies. There were more enquiries from Taipei last week covering green peas, china clay, teaseed cake, structural steels, packing paper and a few items of pharmaceuticals and chemicals; but low buying offers obstructed further improvements. Import of ginger, fruits, live pigs, sugar

and menthol products steady; consignments of sugar were particularly heavy.

**HK/Cambodia Trade**—Cargo movements between HK and Cambodia active. From here, Phnompenh continued to procure metals, paper, sugar and construction materials; many transactions however were handicapped by low buying offers. Heavy import of rice helped to check sharp price hike here.

**HK/Laos Trade**—Political unrest in Vientiane recently hindered exports from here to Laos. Last week more enquiries reached here for construction materials including cement and structural steels.

**HK/Vietnam Trade**—With the exception of an order for sugar from Saigon, trade between HK and South Vietnam was quiet. Saigon also invited tenders for the supply of scientific instruments, transportation equipment and construction materials; dealers here were pessimistic of the business because authorities there will procure most supplies direct from Europe, US and other manufacturing countries. Trade with Haiphong quiet.

**HK/Africa Trade**—Last week most consignments went to East and West Africa; HK manufactures constituted the major portion of 3,600 tons of exports to these two destinations. South African merchants curtailed purchases from here after authorities there had increased duties on rainwear and other consumer goods.

**HK/North Borneo Trade**—Large quantities of logs continued to reach here from North Borneo, 3,000 tons last week. Sawn timber is not only enjoying steady local demand on account of the building boom but also attracting orders from UK.

**HK/Australia Trade**—800 tons of frozen meat, wheat flour, dairy products and canned food reached here from Australia. From here, Australia purchased a few items of produce; turnover restricted by supply shortage.

**HK/Middle East Trade**—Demand from ME for cotton textiles, enamelware, rubber shoes, torch, shirts and other HK manufactures was not as strong as in July.

**HK/India Trade**—India further cut imports from HK due to the lack of sufficient foreign exchange.

**HK/Pakistan Trade**—Import of cotton yarn from Pakistan was slower because Karachi quotations again advanced.

**China Produce**—Australia was interested in woodoil, feathers, camphor products but spot transactions handicapped by limited supply from China. The market registered also enquiries from Japan for woodoil, long bean, hog bristles and china clay; from Europe for aniseed star, citronella oil and dry ginger; from Burma for groundnut oil and menthol crystal; and from Taiwan for green peas, teaseed cake and china clay. Most transactions however were restricted by supply shortage. Japan is not likely to step up purchases from

here in the near future in view of Tokyo's curtailment of imports.

**Metals**—Mild steel round bars which began to creep up recently on steady demand from SE Asia, China, Taiwan and local building contractors were checked by competitive offers from Japan. It is believed that Japanese importers who ordered large quantities of this item from Europe early this year are diverting several thousands of tons to HK because Tokyo is restricting this import. However, closing quotations last week for round bars and other structural steels in the local market were steady; dealers here did not take advantage of offers from Japan because stock here was still abundant. Most metal dealers believe prices will further improve in view of increased cost of US steels. Other popular items were pipes, steel plates, black plate, tin plate, zinc sheet and aluminum sheets. There was no order from Japan for scraps.

**Paper**—Demand from Korea further improved covering newsprints, wood-free, sulphite and kraft, tissue, cellophane and glassine. Prospects of selling newsprint in reel to Seoul good because most shipping companies have reduced freight charges for this item from here to Pusan. Exports to Korea on the other hand are still hindered by low buying offers from Seoul. Orders from Philippines and Cambodia covered only small lots of cigarette paper in reel and glassine respectively. Indonesia and Thailand were interested in packing and printing paper but purchases slowed down because money remained tight in Bangkok and allocation of foreign exchange restricted to small sums in Djakarta.

**Pharmaceuticals**—Taiwan, Korea, Thailand, Singapore and China were keen in fine chemicals including aspirin powder, phenacetin, caffeine alkaloid, amidopyrin, barbitone, etc. Trading volume limited by the lack of adequate stock as well as by low buying offers. Local dealers are finding it increasingly difficult to retain the demand from Korea and SE Asia because replenishment cost is advancing while buyers refuse to pay higher prices.

**Industrial Chemicals**—Indonesia enquired for red phosphorus and zinc oxide, Taiwan interested in sodine bichromate and formalin while Thailand and Philippines favoured gum arabic; the market was otherwise quiet. Prices in general steady but soda ash dipped under keen competition between Chinese, UK and Japanese products while shellac gained on advanced indent.

**Cotton Yarn**—Demand from Indonesia deteriorated again after Japan had resumed shipments of cotton textiles to Djakarta. Hongkong yarn however remained firm on strong local demand while Pakistan products edged up on high cost. Korean yarn was favoured by factories here which export cloth and knitwear to US. Local mills booked 10,000 bales of US cotton during the past few weeks when US



dollar rates eased in the local exchange market.

**Cotton Piecegoods**—HK grey cloth retained steady demand from UK and Africa. Local drill popular with garment factories here; prices steady. Japanese grey cloth and white shirting were favoured by Bangkok; prices firm also on increased cost. Chinese grey and drill sluggish.

**Rice**—Heavy imports from Thailand and Cambodia checked the ad-

vancing of prices here. Chinese rice firm on short supply.

**Wheat Flour**—Exports remained weak; Canadian brands which were steady on low stock dipped towards weekend when new supply arrived. US, Australia and local products weak.

**Sugar**—Supply still far exceeded demand. Weak international prices kept quotations here at low level. Towards

weekend demand for Taiwan sugar from Phnompenh, Haiphong and Saigon prevented prices from further drops. HK, Indonesian and Philippine sugar followed the trend of Taiwan product.

**Cement**—The building boom here provided strong demand for HK and Japanese cement. Exports however were slower; there were enquiries from Laos but no transaction concluded.

## PAPER MONEY IN MODERN CHINA

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over-issuing paper money, which caused 'freezing' of their operations. Thereupon the bank's capital was augmented to \$20,000,000.

While doing general banking business, the Three Eastern Provinces Bank devoted its energies mostly to affairs within Fengtien (Mukden) Province and was known for its lavish issue of paper money. Indeed, this was the principal line of "business" conducted by the said institution. It considered itself as existing for the provincial Government, or its chief military or political exponents. Its note-emissions came under three groups: (a) Feng Piao; (b) large dollar notes; (c) Harbin dollar notes.

Fengpiao were inconvertible notes circulating within Fengtien (Liaoning) Province; their acceptance was compulsory, based upon the influence of the Mukden authorities. Notes existed in denominations of \$1, \$5, \$10, \$50 and \$100. Strictly speaking, originally Fengpiao notes were convertible against small coin silver dollars, but comparatively soon they turned irredeemable owing to excessively large issues without commensurate cover.

In the 10th Year of the Republic (1921) a series of three notes was circulated, calling for \$1, \$5 and \$10. In the 13th Year (1924) a full set of five, i.e. \$1 to \$100, made its appearance. During the 18th Year (1929) another set of from \$1 to \$100 appeared on the scenes.

At the close of 1916, Mukden large dollar notes were issued for the purpose of redeeming fengpiao at the conversion rate of 1.2 of the latter to one large dollar. Toward the end of 1917, the Three Eastern Provinces Bank took to issuing still another kind of paper money with nominally the same worth as large dollar bills. They were called "Hui-tui-chien" (which in translation signifies: Remittance bill fund notes); but after some years they lost their quality as exchange notes, becoming irredeemable. In autumn of 1931 their total circulation was estimated between \$1,200,000 and \$3,000,000. As the provincial bank failed to publish balance sheets, it is not possible to correctly gauge the size of its actual note circulation.

The manner of putting huge sums into circulation was well-designed by the Mukden authorities, much to their personal benefit and to the continuous losses of the already pauperized populace. As soon as the produce season started, the bank instructed its agents throughout the province to purchase available stocks of soya beans, kaoliang and other farm produce, ship to the port of Dairen and sell either against silver yen (transfer to Shanghai), or else against Japanese yen, all for their private benefit. When the farmers, who had been paid in Fengtien fiat money, came to town to purchase necessities, they invariably found that the paper had lost so much value, that its buying power would not compensate them for their labor. It was only natural that, when the produce season began, there was a general demand for fengpiao notes. But when the farmers

came to town in spring and summer, they found the market deluged with these inconvertible notes which naturally showed heavy declines in value.

These maneuvers had, of course, the worst effects upon the entire economic life of an otherwise rich province. Prices rose constantly and labor-disputes became very common. With the natural endeavor to get rid of fengpiao notes, striving to exchange these against silver or yen, speculation became nation-wide. Although realizing the deeper motifs of the debacle, the authorities tried to lay all blame at the doors of speculation. Dealings in exchange were forbidden by the Mukden authorities; exchange brokers in 1926 were fined, arrested and their properties confiscated. In some instances exchange brokers† were executed by shootings and attempts were made to blame them for all the existing evils. But all these ill-conceived measures could not prevent the doom of Mukden's paper currency, brought about by official machinations.

Thereupon, in 1929, the Bank of China, the Bank of Communications, the Frontier Bank and the Northeastern Provincial Bank organized a currency note consortium for the purpose of issuing large dollar notes. These latter, amounting to altogether 43,657,000 dollars, proved stable for, when being redeemed by the Central Bank of Manchou between 1932 and 1935, they were withdrawn and exchanged at par. The aforesaid total included also large dollar notes emitted by the Three Eastern Provinces Bank and the Frontier Bank at Mukden (except the banks' Tientsin issues), apart from the four banks' joint circulation.

When the Central Bank of Manchou, between 1932 and 1935, redeemed all the official paper money issued in Manchuria, it undertook to exchange the issues of the Three Eastern Provinces Bank in dollar currency at the rate of 50 Fengtien dollars for one Manchurian yuan. The total admitted for conversion was \$949,673,135. Besides, there was redemption of \$39,192,369 of Harbin big money notes cashed by the Central Bank of Manchou at \$1.25 for one yuan. Out of this total an unstated part had been issued by the Three Eastern Provinces Bank.

† Probably owners, or managers, of exchange shops.

(To be Continued)